SPECIAL CHRISTMAS ISSUE

The Economist

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Politics this week

Dec 16th 2004
From The Economist print edition

EPA

The wrong man for the job

The White House's procedures for vetting new cabinet secretaries came under fire after Bernard Kerik removed himself from consideration for **homeland-security secretary**. The former New York police commissioner, like many nominees before him, was accused of employing an illegal immigrant as a nanny and a litany of other lapses. Meanwhile, George Bush nominated Michael Leavitt, currently the head of the Environmental Protection Agency, as his next health secretary.

See article

Senator **John McCain**, who sits on the Armed Services Committee, said he had “no confidence” in Donald Rumsfeld's handling of the Iraq war. Mr McCain stopped short of calling for the resignation of the defence secretary, but said more troops should be sent to the conflict.

The chief of **NASA** said he was stepping down for personal reasons. Sean O'Keefe led America's space agency through a series of reforms after the *Columbia* shuttle disaster in 2003.

Mr Bush bestowed the presidential **medal of freedom**, America's highest civilian honour, on three men closely associated with the Iraq war: George Tenet, responsible for the intelligence beforehand; Tommy Franks, who led the invasion but was responsible for security afterwards; and Paul Bremer, who was in charge of the occupation and disbanded the Iraqi army.

An $85m test of America's **missile-defence system** failed when an interceptor rocket did not launch because of “an unknown anomaly”.

The Iraq campaign

Campaigning began for **Iraq's** general election, due at the end of January. The country's interim defence minister, Hazim al-Shaalan, accused neighbouring Iran and Syria of aiding terrorists such as Abu al-Zarqawi in order to disrupt Iraq's transition to democracy. George Bush warned Iran and Syria not to meddle.

Marwan Barghouti, a popular **Palestinian** leader jailed in Israel on murder charges, withdrew from the Palestinian elections scheduled for January 9th. This leaves the field clear for Mahmoud Abbas, a moderate who has again called the Palestinians' armed *intifada* a “mistake”.

Continuing a trend of warming relations, **Israel** and **Egypt** signed a trade agreement.

The Congolese army fought against rebels and, it said, Rwandan troops in eastern **Congo**. The Rwandan government denied having invaded Congo, but reserved the right to do so whenever necessary.

Rebels in **Sudan's** Darfur region said they would not resume negotiations with the government until it stopped attacking them. The government said that it would stop but it has always broken previous promises to the same effect.

A poisonous affair

Austrian doctors confirmed that **Victor Yushchenko**, the opposition candidate for Ukraine's presidential election, had been poisoned with dioxin, which disfigured his face, earlier this year. Mr Yushchenko said he was still fit enough to serve and expressed confidence that he would win the election re-run on December 26th.

Romania's presidential election run-off was unexpectedly won by the opposition candidate, Traian Basescu, formerly mayor of Bucharest. Mr Basescu will now ask his party to cobble together a government; if it cannot, he may decide to call fresh parliamentary elections.

See article

Spain's prime minister, José Luis Rodríguez Zapatero, accused his predecessor, José María Aznar, of wiping computer records about his government's reactions after the March 11th Madrid bombings.

European Union leaders gathered for a summit in Brussels at which they were expected to approve the opening of membership talks with **Turkey** next year.

See article

The British home secretary, **David Blunkett**, resigned after some weeks of pressure over his affair with a married woman and his attempts to speed up the process of visa approval allowing her nanny to remain in Britain.

See article

The House of Lords, **Britain's** highest court, ruled that the detention of foreign terror suspects without trial was illegal.

See article

President Jacques Chirac inaugurated the world's tallest road bridge, the **Millau viaduct**, in south-western France. The bridge was designed by a Briton, Lord Foster.

EPA

Try trial again

A Chilean judge indicted **Augusto Pinochet**, the country's former military dictator, for human-rights abuses, in the latest attempt to make him stand trial despite court rulings that he was unfit to do so.

See article

Brazil's Democratic Movement Party abandoned the ruling coalition of Luiz Inácio Lula da Silva; but that did not stop Congress from passing Lula's long-awaited bankruptcy reform two days later.

See article

Ecuador announced plans for a foreign-debt issue next year, its first since a default in 1999.

UN troops invaded a slum in **Haiti's** capital, Port-au-Prince, in their first big blow against gangs loyal to the former president, Jean-Bertrand Aristide.

AP

See article

The EU recommended that its member states' embassies in **Cuba** reduce friction with the authorities by holding smaller cocktail parties, so as not to have to invite either political dissidents or Cuban officials. Having both had led to a chill in diplomatic relations. So as not to dampen the Christmas cheer, however, the recommendations will take effect only in January.

Independence postponed

Taiwan's Democratic Progressive Party, the party of president Chen Shui-bian, narrowly failed to take control of parliament. China and America, which had both feared that the president would use a majority to advance the cause of Taiwanese independence, will be relieved. Mr Chen resigned as party leader.

See article

Fernando Poe junior, who nearly unseated Gloria Arroyo as president of **the Philippines** in May, died suddenly.

Japan warned North Korea that it might impose sanctions after human remains provided by North Korea turned out not to be those of two kidnapped Japanese women. North Korea said that sanctions would amount to a declaration of war.

See article

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Business this week

Dec 16th 2004
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Mobile merger

Sprint cemented its position as America's third-largest mobile-phone operator by agreeing to merge with **Nextel**, the country's fifth-largest, in a deal valuing the latter at some $36 billion.

See article

Oracle's brutal and drawn-out battle to buy **PeopleSoft** came to an end. The world's second-largest software giant will pay $10.3 billion to acquire its rival. Oracle increased its offer by 10% after PeopleSoft opened its books, revealing that it was potentially more profitable than previously thought.

See article

Symantec, an American maker of security software, said that it would pay $13.5 billion to acquire **Veritas**, a data-storage firm.

Johnson & Johnson finally announced that it would buy **Guidant**, a medical-device firm, for $25.4 billion. The deal will boost the American health-care company's cardiac-care sales and also help to bolster its flagging drug business.

Unfair exchange

The **London Stock Exchange** rejected a £1.35 billion ($2.6 billion) takeover bid from **Deutsche Börse**, but agreed to continue discussions on the matter. This sent its shares spiralling over the price offered by the German exchange and provoked speculation that other bidders would emerge. Euronext, operator of the French and Dutch exchanges, is a prime candidate.

See article

China tried to allay fears that its textile firms would flood the market with cheap goods when current quotas expire at the end of the year, in line with a WTO agreement. China said that it would impose duties on textile exports.

See article

The Securities and Exchange Commission ruled that **Fannie Mae** had violated accounting rules and must restate its earnings for the past four years. The decision is likely to spark big changes at America's biggest mortgage-finance company.

Bankruptcy protection

Yukos filed for Chapter 11 bankruptcy protection in America. The move is an attempt to hit back at the Russian government which is forcing the embattled oil giant to sell Yuganskneftegaz, its main production unit. Russian officials want to auction this to offset a $26 billion tax bill. Yukos hopes the move will protect it and shareholders against what it considers “expropriation”.

See article

The bosses of **Fiat** and **General Motors** agreed to “mediation” to resolve a dispute over a put option that would force the American giant to acquire the 90% of the Italian carmaker that it does not already own. GM says that the deal is now invalid because of asset sales and a dilution of its original stake. Fiat may accept cash to terminate the contract.

Paul Tellier lost his job as chief executive of **Bombardier**, closely followed by two board members, causing the troubled Canadian train and plane manufacturer's shares to tumble. He is replaced by a triumvirate that includes two members of the founding Bombardier family.

Americans will soon have high-speed **internet access** on commercial flights. Regulators agreed plans to allow operators to provide web access. More worryingly, regulators will consider allowing the use of mobile phones on flights too, so destroying one of the last remaining havens from other people's inane chatter.

Time to pay up

Time Warner agreed to pay $210m to settle charges of fraud relating to accounting irregularities at its America Online unit. It also reached a tentative agreement to pay $300m to settle similar charges with the SEC.

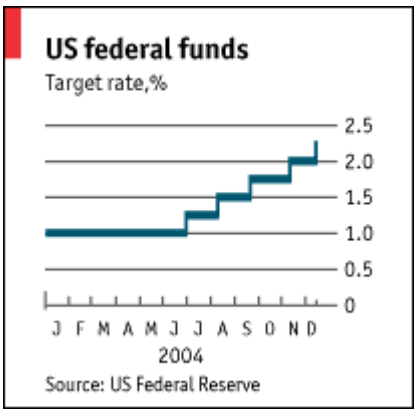
Hollywood's film studios followed the example of the music business and stepped up legal action against internet film pirates. An industry body launched legal action against over 100 middlemen in the United States and Europe who facilitate the downloading of pirated blockbuster movies using BitTorrent, a file-sharing technology.

Google announced plans to bring a much-needed dose of culture to the internet. The world's leading search engine said that it had struck a deal to allow free online access to the book collections of the world's top libraries, including those at Harvard and Oxford's Bodleian.

Ever upwards?

America's Federal Reserve nudged key **interest rates** up by another quarter of a percentage point to 2.25%. The Fed also signalled its intention to continue raising rates at a “measured” pace as the economy improves. Meanwhile, as America's trade deficit widened to a record $55.5 billion in October, George Bush promised to work with Congress to reduce both that and the budget deficit in order to support his administration's “strong dollar” policy.

See article



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Poverty

Making poverty history

Dec 16th 2004
From The Economist print edition

2005 could be a big year in the fight against poverty

Panos

"WE HAVE the cash, we have the drugs, we have the science—but do we have the will? Do we have the will to make poverty history?" That is quite a question: big, crucial and—so long as "we" is defined broadly—entirely valid. And it is a question to which—according to Bono, the rock star and modern-day prophet who posed it—the coming year will go a long way towards providing an answer.

In 2005, poverty reduction is scheduled to dominate the global policymaking agenda as never before. First will come some visionary reports, led by Jeffrey Sachs's study for the United Nations (in January) and Tony Blair's Commission for Africa (probably in March). In July, if Mr Blair does not unexpectedly lose a British general election in the meantime, he will host a G8 summit of rich-country leaders which will focus on tackling poverty, especially in Africa. In September, the UN will hold a special General Assembly Summit to review progress towards the Millennium Development Goals agreed in 2000, which include a commitment to halve the proportion of the world's population living in poverty by 2015. As progress has been slow, there are likely to be plenty of new initiatives and promises of fresh action. In December, it is hoped, the World Trade Organisation (WTO) meeting in Hong Kong will bring the year to a triumphant close with the announcement of a deal to further liberalise global trade in ways that should give a big boost to the economies of poor countries.

The case for optimism

For so much high-level attention to be paid to the needs of the poor is unambiguously welcome. So, too, is the spirit of optimism with which policymakers and campaigners view next year. Yet it does not take a cynic to wonder whether so much international summitry might, in the end, generate far more hot air than action. There is a genuine danger of this. So before giddy rhetoric gives way to disappointment, it is worth asking what battles, realistically, might be won in the war on poverty in 2005.

Some optimism is certainly justified. In economic terms, the human race has never been richer, or better armed with the medical knowledge, technological prowess and intellectual firepower needed to beat poverty. In rich countries, it has been possible to shift the focus of domestic policy from absolute poverty (now a rarity) to the relative sort—a giant step forward. In poorer countries, too, the past couple of decades have seen an unprecedented rise in the income and standard of living of hundreds of millions of people, mainly in Asia, who no longer struggle just to survive from one day to the next. The continuation of recent rapid rates of economic growth in India and China alone promises to free hundreds of millions more from poverty during the coming decade.

Yet while the examples of China and India are inspiring, they also show why the coming year of summitry may not be able—even with the best of intentions and maximum will-power—to achieve all that the likes of Bono say it can. The reductions in poverty in both countries are primarily the result not of the policies of the global great and good, or of the charity of rich countries, but of better domestic government—including the provision of basic education and health care and, crucially, the freeing up of markets. In both countries, even better government would reduce poverty further. For instance, corruption remains rife in both countries, and has a particularly severe impact on the poor by depriving them of needed services and raising their cost of access to markets and to finance. Likewise, in those parts of the world

where little progress has been made in reducing poverty—notably much of Africa—abysmal government deserves much of the blame. Finding ways to get badly governed countries to raise their game is, to say the least, notoriously hard (and hugely controversial) for outsiders to do.

Aid is not just for Christmas

But enough gloom. There is still plenty that can be achieved in the coming year of fighting poverty, especially if the world's leaders are willing to set clear priorities, and to be big enough not to push their own pet schemes at the expense of necessary compromise and consensus. Everyone from Kofi Annan and George Bush to Jacques Chirac and Mr Blair would like to be known as the politician who broke the back of global poverty, and each has slightly different ideas for doing so. A particular worry, given the pivotal role that the British government is expected to play throughout the year, is the rivalry between Mr Blair and his chancellor of the exchequer, Gordon Brown—a duo that Bono has dubbed the John Lennon and Paul McCartney of global development. (Both men are said to fancy themselves as Lennon.)

Three main policy ideas are likely to top next year's agenda: a big increase in aid from rich countries to poor; a massive write-off of poor-country debts; and trade liberalisation, especially for the agricultural products that are crucial to many poor economies, whose exports are now treated harshly by America, Japan and the European Union.

On aid, it would be a big step forward for politicians to adopt a policy of “first do no harm”. There have been countless examples of aid with strings attached that ensure that most of its benefits go to firms from the donor country, or which has largely ended up in the offshore bank accounts of corrupt local politicians. And even in circumstances where aid has been shown to work—basic health, education and water supply projects—the sudden policy changes of donor countries have often undermined worthy efforts. International aid is the most volatile element of developing-country budgets, which is one reason why some of the more hopeful-looking African countries are keener on debt relief than aid, as the former is a one-off contribution to their resources that is not vulnerable to abrupt changes in donor-country policies.

In this respect, there is much to commend the International Financing Facility proposed by Mr Brown—which is now being taken seriously again. Although it is essentially a clever wheeze for circumventing national government borrowing rules, this scheme would both let donors increase their total aid (by borrowing against future aid budgets) and allow it to be spent in a more predictable way: off-balance-sheet financing in a good cause.

As to what to spend the money on, there will be no shortage of candidates. Ominously, the once-discredited idea of splashing out on big infrastructure projects has recently been revived. World leaders would do better to consider the Copenhagen Consensus, a series of studies and a plan of action produced earlier this year by some of the world's top economists. They concluded that the best way to spend, say, $50 billion (which is peanuts for rich countries) to help the poor would be on programmes to limit the spread of AIDS, to combat malaria and to reduce malnutrition.

Trade liberalisation, by contrast, ought to be a simple choice for poverty-fighting politicians. Oxfam, a campaigning group, estimates, for example, that a 1% increase in Africa's share of world exports would be worth five times as much as the continent's share of aid and debt relief. Yet trade liberalisation requires politicians in rich countries to confront vocal protectionist interests at home. That can be painful and politically costly, and so takes courage. Thus, what deal, if any, is struck at the WTO meeting next December may provide the truest test of whether the will really exists to make poverty history.

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Turkey, the EU and religion

Faith in Europe

Dec 16th 2004
From The Economist print edition

The Turkish republic is not as secular as it seems. To become European, it will have to change

AFP

AN EVER closer partnership between Turkey and the European Union, culminating in full Turkish membership, can only be good for relations between Islam and the West. It will show that western nations have no insuperable prejudice against Islam—and it will confirm Turkey's role as a nation whose Muslim heritage is fully compatible with democracy.

Those are the main reasons why European leaders were expected on December 17th to endorse the opening of talks to make Turkey the EU's first mainly Muslim member. The Turks have worked hard to groom themselves for Europe. But the negotiators from Brussels and Ankara will be deceiving themselves, and perhaps riding for a fall, if they underestimate the amount of ground they still need to travel. Among the trickiest issues is the existence in Turkey of a relationship between religion and the state that differs from the varied, and often bizarre, arrangements of western Europe.

Paradoxically, the aspect of Turkey's system that Europeans find strangest is the curb it places on its own prevailing religion. Turkey is often called a secular state, whose citizens happen to be Muslim. In fact, Turkey is far from secular, if that implies an arm's-length relationship between faith and politics. The masters of Turkey's 81-year-old republic have always felt that religion is too sensitive to leave to clerics alone. A vast state bureaucracy oversees spiritual life; it hires imams, tells them what to preach, and runs religious schools.

One size fits all

The effect is to steer most Turks down a narrow religious path; they are taught to be devout Muslims, but they may not push their piety further than the state allows. By banning headscarves in universities as well as all government premises, the state imposes a far harsher restriction on devout Muslim women than the ban on scarves (and other obvious signs of faith) in French schools. As a result, some Turkish women get no higher education. Nor is life easy for millions of Turks who follow the liberal Alevi form of the Muslim faith, not the Sunni Islam taught in schools. For the state, all Muslims are the same; too bad for Alevis who want to opt out of Sunni education.

What about Turkey's tiny non-Muslim communities? Here again, history weighs heavily. As Turks learn at school, the avoidance of any special status for religious minorities was a master-stroke by their state's founders: the western powers wanted such privileges, but the republic resisted their wiles. Those negotiations ended in the 1923 Treaty of Lausanne, which promises limited cultural and religious rights for the Greek Orthodox, the Armenians and Jews—with the result that Turkish policy still distinguishes “Lausanne minorities” from others. When some Turks argued recently that the treaty, properly read, implied fair treatment of all minorities, this triggered a furious row—and dark murmurings from the military.

In any case, joining the EU will oblige Turkey to be far more decent in its treatment of religious minorities than the Lausanne treaty ordains. As evidence for a lack of decency, witness Turkey's de facto ban on training for Christian clergy; and the recent Turkish-American row over the Orthodox Patriarchate in Istanbul. As Turkey's government reaffirmed, it disputes the right not just of its own citizens, but of

Christians in America, to accord the patriarch his “primacy of honour” in the Orthodox world: this is a curious act of discourtesy to a religious leader who warmly backs Turkey's European hopes.

Whatever Turkey's failings, do Europeans have any right to lecture the Turks? Europe's religious scene is full of weird anachronisms. The British prime minister still chooses the senior prelate of the Anglican Church. In one part of Greece, Muslim muftis exercise judicial powers, while in Athens, Muslims cannot get official recognition for a single mosque. Denmark is one of Europe's most secular societies, but its Lutheran church enjoys huge privileges. All these arrangements are likely to be challenged as Europe grows more diverse.

Where does that leave Turkey? It would be nice, but naive, to regard its system as simply one small variation in a colourful religious scene. It is one thing for a state to give privileges to a particular church, which then governs itself; quite another for a state to micro-manage the whole of religious life.

Given its own diversity, it would be silly for the EU to impose on Turkey some precise model for religious affairs. But Turkey won't be a liberal democracy in the European sense until state interference in the world of faith becomes the exception, not the rule—and unless all religious communities can worship, own property and form associations freely.

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American politics

Let Arnold run

Dec 16th 2004
From The Economist print edition

Whether he deserves to win is another matter

Getty Images

MANY countries have a tradition of inviting foreigners to rule them. The English called in William of Orange in 1688, and, depending on your interpretation of history, William of Normandy in 1066. Both did rather a good job. Returning the compliment, Albania asked a well-bred Englishman called Aubrey Herbert to be their king in the 1920s. He refused—and they ended up with several coves called Zog.

America, the country of immigrants, has no truck with imported foreign talent. Article two of the constitution says that “no person except a natural-born citizen...shall be eligible to the office of the president”. This is now being challenged by a particularly irresistible immigrant: Arnold Schwarzenegger.

Barely a year has passed since the erstwhile cyborg swept to victory in California's recall election, yet there is already an Amend-for-Arnold campaign collecting signatures to let the Austrian-born governor have a go at the White House. George Bush senior has weighed in on his behalf. There are several “Arnold amendments” in Congress: one allows foreigners who have been naturalised citizens for 20 years to become president. (The Austrian became American in 1983.)

It is easy to dismiss the hoopla as another regrettable example of loopy celebrity politics. Mr Schwarzenegger has made a decent start as governor, but he has done little, as yet, to change the structure of his dysfunctional state. Indeed, even if the law were changed, he could well be elbowed aside by another incomer, this time from Canada: the Democratic governor of Michigan, Jennifer Granholm, who appears to have fewer skeletons in her closet than the hedonistic actor.

Moreover, changing the American constitution is no doddle. It has happened only 17 times since 1791 (when the first ten amendments were codified as the bill of rights). To change the constitution, an amendment has to be approved by two-thirds of both houses of Congress, and then to be ratified by three-quarters of the 50 states. The Arnold amendment is hardly in the same category as abolishing slavery or giving women the vote. And, as some wags point out, Austrian imports have a pretty dodgy record of running military superpowers.

Think beyond the Zogs

Yet none of this means that changing the constitution to remove an outdated and pointless piece of discrimination would be a bad thing. Forget for a moment about the merits of Mr Schwarzenegger and Ms Granholm; there have been some two dozen attempts to get rid of the archaic foreign-born prohibition since the 1870s, and the cause has become more pressing with the ever larger numbers of people flowing into the country. Why should 13m American citizens who were born outside the country be banned from its highest office by a clause which was originally intended to keep out European princelings? (Back in the 1770s, Americans were worried that foreign enemies might try to partition the country.)

The only decent modern excuse for keeping the provision would be national security. This looks hard to stand up, when such dodgy Mitteleuropeans as Henry Kissinger and Madeleine Albright have been allowed to run its foreign policy, and John Shalikashvili was chairman of the Joint Chiefs of Staff.

Throughout its history, America has flourished by choosing the best the world has to offer. There are plenty of good reasons to mock the idea of President Arnold Schwarzenegger. His birthplace is not one of them.

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European securities exchanges

Courting, and competing

Dec 16th 2004
From The Economist print edition

Consolidation is welcome, so long as trading costs fall

MEPL

HAS the time finally come for the 203-year-old London Stock Exchange (LSE) to capitulate, gracefully, to a continental rival? This week Deutsche Börse, owner of the Frankfurt stock exchange and much else, approached the LSE with a £1.35 billion ($2.6 billion) takeover bid (see article). The board of the London exchange rejected the offer after a day's consideration but decided to keep talking. That is good news for Werner Seifert, the dogged head of Deutsche Börse, who tried to snatch the LSE in 2000 but was ultimately rebuffed. This time around he seems to be using more delicate diplomacy. And yet a bidding war is still possible if Euronext, which operates stock exchanges in Paris, Amsterdam, Brussels and Lisbon, also makes an offer for the LSE.

This rush of activity is welcome. The LSE, though the most liquid stock exchange outside America, may need a partner if it is to grow. Besides incurring high costs from a new building and technology investments, it has diversified only minimally out of equities, where revenue growth has lately been slower than in the trading of financial derivatives (a mainstay of both Deutsche Börse's and Euronext's trading empires). And when exchanges merge, back-office costs fall and liquidity gets a boost. Europe's exchanges have already consolidated to some degree, and now seem likely to evolve into two competing giants headed by Euronext and Deutsche Börse.

Consolidation among exchanges is not, however, an unadulterated good. The principal danger is oligopoly pricing. Slashing costs by combining, say, the electronic-trading infrastructure of two exchanges has little public merit unless some of the benefit is passed along to customers who buy and sell shares. The reality, however, is that Europe's exchanges already operate with little competition. A German company is unlikely to list in London instead of Frankfurt, and vice versa—so exchanges have plenty of captive customers and pricing leeway. Many already face gripes about high prices—indeed, the LSE was forced to cut its listing fees by more than a quarter this year following a probe by Britain's Office of Fair Trading. In bidding for London, Mr Seifert has promised a “material reduction” in tariffs to London's users.

Which watchdog?

Regulators must keep a close watch to make sure that efficiencies are passed on to customers, regardless of what form the LSE's future takes. That raises the question of which regulators would look after a merged exchange. The LSE is supervised by Britain's Financial Services Authority (FSA). Deutsche Börse is regulated by the state of Hesse, with some input from the federal BaFin regulator; Euronext by various authorities around Europe. Deutsche Börse sources argue that merged exchanges do not need a lead regulator. But could the FSA still have robust oversight of an exchange whose ultimate bosses sit in Frankfurt? All this should be spelled out clearly before any deal is allowed to go ahead by regulators.

Users of exchanges, though, need more than just regulatory watchfulness. They will benefit most if exchanges carry on competing as well as courting. When exchanges raid one another's territory, trading gets cheaper, fast. Earlier this year Deutsche Börse took the Eurex derivatives exchange, which it half owns, into America to challenge exchanges in Chicago. The Chicago Board of Trade cut prices in response to the threat. Likewise the London Stock Exchange tried to snatch trading in Dutch equities by offering much lower prices, forcing Euronext to slash its prices too.

Such ventures are rarely successful in the short term, as stealing liquidity is tough. But continued competition is welcome. American exchanges could move into Europe; so too could online platforms, which have been slow to take off there. And bigger brokers can always choose to bypass exchanges altogether, and keep trades in-house, if they feel that exchanges' fees have got out of hand. Consolidation, and the fate of the LSE, should not be the end of the story.

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The servant problem

A modest proposal

Dec 16th 2004
From The Economist print edition

How to solve the biggest issue in modern politics

FORGET Iraq and budget deficits. The most serious political problem on both sides of the Atlantic is none of these. It is a difficulty that has dogged the ruling classes for millennia. It is the servant problem.

In Britain David Blunkett, the home secretary, has resigned over an embarrassment (or one of many embarrassments, in a story involving his ex-girlfriend, her husband, two pregnancies and some DNA) concerning a visa for a Filipina nanny employed by his mistress (see article). His office speeded it through for reasons unconnected to the national shortage of unskilled labour. Mr Blunkett resigned ahead of a report by Sir Alan Budd, an economist who is investigating the matter at the government's request.

In America Bernard Kerik, the president's nominee for the Department of Homeland Security, withdrew last week because he had carelessly employed a Mexican nanny whose Play-Doh skills were in better order than her paperwork (see article). Mr Kerik also remembered that he hadn't paid her taxes. The nominee has one or two other "issues" (an arrest warrant in 1998, and allegations of dodgy business dealings and extra-marital affairs). But employing an illegal nanny would probably have been enough to undo him, as it has several other cabinet and judicial appointees in recent years.

There is an easy answer to the servant problem—obvious to economists, if not to the less clear-sighted. Perhaps Sir Alan, a dismal scientist of impeccable rationality, will be thoughtful enough to point it out in his report.

Parents are not the only people who have difficulty getting visas for workers. All employers face restrictive immigration policies which raise labour costs. Some may respond by trying to fiddle the immigration system, but most deal with the matter by exporting jobs. In the age of the global economy, the solution to the servant problem is simple: rather than importing the nanny, offshore the children.

Make mine a monoglot

Many working parents would hardly notice the difference, and there would be clear advantages beyond lower child-care costs. Freeing up rich-country real estate currently clogged with cots and playpens would lower rents; liberating time currently wasted in story-telling and tummy-tickling would raise productivity. For parents who wished to be present at bed-time, video-conference facilities could be arranged.

Luddites and sentimentalists will whinge about the disadvantages of raising a brood in, say, Beijing. Language, for instance: what if one found oneself in possession of a posse of mini-Mandarin speakers? Yet in the age of global culture, few sensible modern parents are susceptible to such small-mindedness. If they were, they wouldn't so commonly leave their offspring in the care of monoglot Mexicans or Poles.

Unthinking conservatism may spawn resistance to this eminently sensible idea. But politicians, the people most often embarrassed by the servant problem, should be keen to popularise it—not just for themselves, but also in the national interest. Offshoring could help solve several problems afflicting rich-world economies, including that of ageing populations: after all, you get more bairns for your buck in Bangalore. And why stop at toddlers? Difficult teenagers, the offspring most liable to vex political

parents, could be conveniently removed: imagine how much easier George Bush's life would have been had his twins been confined to, say, Pyongyang.

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Letters

Dec 16th 2004
From The Economist print edition

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Software's hard lesson

SIR – With a few changes to acronyms, and product and company names, your article on complexity in software could have been written in any decade since the 1960s ("Managing complexity", November 27th). Each new generation of programmers and system designers repeats the same mistakes, using new languages and new hardware. There is an inadequate software-engineering culture and infrastructure to gather the lessons from one project and apply them to the next. Civil engineers probe failures and revise their standard-design methods accordingly. In software design, this is resisted and failures are hidden rather than investigated.

Pete Schilling
New Kensington, Pennsylvania

SIR – According to those who make money from such things, the answer to software projects that go wrong is more software. In reality, software is only as good as the people who develop, maintain and manage it. Most of those who do this are simply not very good at the job.

Ron Finch
Sydney

Slaving away

SIR – Your obituary of Sheikh Zayed is unfair regarding the rule of his family and the British government, with which they shared power in a spirit of harmony that is hard to recapture today (November 20th). You talk of a "big slave market" in Al Ain in 1962. As a British political officer in Abu Dhabi in 1961, I had in my drawer a pack of manumission certificates and my ambition was to use one.

It was well known in what were then the Trucial states that to obtain freedom a slave had only to present himself to a British political officer, traditionally by clasping his hands round our flagpole. This would be recognised by both the ruling sheikhs and any slave owner. Alas, all those who wanted their freedom (some preferred the security of remaining as a family retainer) had already got it before my time and my ambition was never fulfilled.

Oliver Miles
Oxford

Local shopping

SIR – You fail to mention a facet of green architecture that reduces costs ("The rise of the green building", December 4th). Sourcing building materials locally rather than from halfway round the world is more environmental if not also economical.

Yves Manigart
Brighton, East Sussex

Keeping Congo's peace

SIR – You say that “since MONUC was first deployed to Congo in 1999, it has consistently failed to keep anyone in the region safe” (“Is this the world's least effective UN peacekeeping force?”, December 4th). On the contrary, during the past 16 months two-thirds of the country has been brought under control of the central government, the former ceasefire line is now a part of history and more than 1m internally displaced persons have returned to their homes, particularly to areas where MONUC peacekeepers are present.

You say MONUC “failed” to disarm and “neutralise” rebels in Congo. To date, MONUC has peacefully repatriated almost 12,000 foreign combatants and their dependants voluntarily to Rwanda, Burundi and Uganda. While some 8,000-10,000 foreign combatants remain in Congo, a UN Security Council resolution has given MONUC a mandate to work closely with Congo's newly integrated army to disarm and disband militia groups, by force if necessary, and to resolve the problem of uncontrolled armed groups as quickly as possible. Finally, you ask why the UN is in Congo at all. The international community cannot afford not to be there. A peaceful sub-Saharan Africa is inconceivable without a peaceful Congo.

William Lacy Swing
Special representative of the UN secretary-general for the Democratic Republic of Congo
Kinshasa

SIR – I have just finished a stint working for the UN alongside the peacekeeping force in Congo. In a recent art competition in Ituri the most popular painting showed MONUC troops pinning rebel militias to the ground under their boots, something of course they are not allowed to do.

The population of Congo want the peacekeepers to be tougher than they are on the rapists, murderers and looters but peacekeeping is not easy under the tight rules of engagement and the continuous surveillance by observers and internal human-rights monitors which MONUC maintains. These rules are essential to support the moral right of the international community to intervene but, at a human level, can make soldiers hesitate before acting.

Barry Sesnan
Kampala, Uganda

Learning what's right

SIR – Your call for greater political diversity in academia is reasonable and desirable (Lexington, December 4th). But it would require conservative intellectuals to dissociate themselves from their brethren who deny evolution, global warming and the value of stem-cell research, while promoting homophobia and the rest of the dreary litany of popular but ludicrous conservative causes. The political imbalance in academia derives not from a leftist cabal but the intellectual indefensibility and moral bankruptcy of so many conservative notions, which taint those that may be worth discussing.

John Payne
Los Angeles

SIR – Perhaps there is too much “political correctness” on American campuses and this discourages conservatives and conservative thinking. However, the main organ of the conservative movement, the Republican Party, has embraced right-wing ideology and fundamentalist Christianity of the sort that rejects the findings of methodological scientific inquiry if those findings challenge their precepts. This might explain why conservatism has so much trouble in American universities.

Edward Graham
Washington, DC

SIR – The liberal establishment could employ one of its favourite tools to solve the imbalance in academia: affirmative action. But that vicious tool has always been reserved for others.

George Vogler
Centennial, Colorado

SIR – Has Lexington considered a simpler explanation for the undoubted dominance of liberals at American universities? Perhaps talented, ambitious conservatives are less than thrilled about the meagre financial rewards available in academia and choose a career as a management consultant, stockbroker or

cosmetic surgeon. Or indeed as a corporate executive, whose ranks are dominated by enthusiastic Republicans. Why not harangue business for its shortsighted political monotheism?

Robert Merkel
Melbourne

SIR – Tom Wolfe's characterisation of co-ed life in the Ivory Tower is far from true, at least for this Ivy Leaguer. My life would surely be much more amusing if I were living in his fictitious Bacchanalia with a gangsta-rap soundtrack. As it is, I'm living in a house with nine guys and I'm still not getting any.

Elizabeth Maples
Providence, Rhode Island

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George Bush and God

A hot line to heaven

Dec 16th 2004 | WASHINGTON, DC
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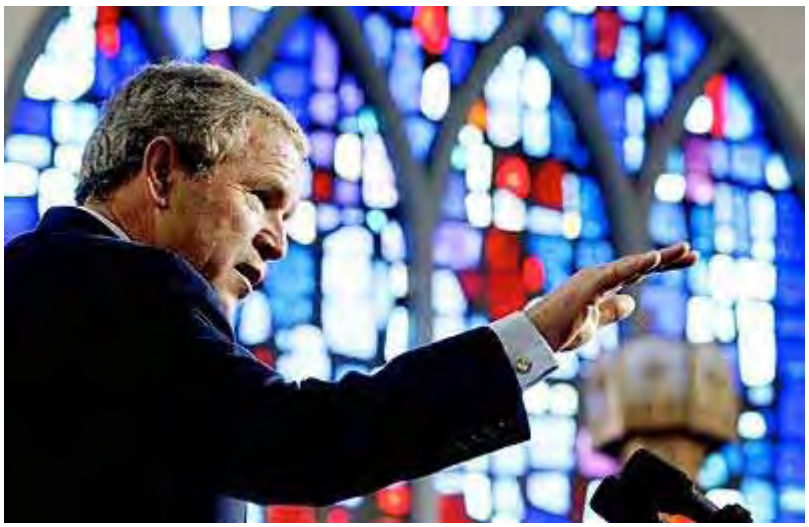
Reuters



Is George Bush too religious? Here is a closer look at what a much-misquoted president actually says and how it compares with his predecessors

“I BELIEVE that God wants me to be president.” What? Did George Bush really say that? Does the president imagine he has a divine mission?

Well, he was quoted to that effect by Richard Land of the Southern Baptist Convention. The full quote, however, does not quite sound as if Mr Bush is labouring to scrap the republic and replace it with a theocracy. “But if that doesn't happen, that's okay,” the president continued, “I have seen the presidency up close and personal. I know it's a sacrifice, and I don't need it for personal validation.”

Still, the first part of the comment goes to the controversial nub of Mr Bush's religiosity. If you believe, along with him and John Calvin, that God involves himself in the workings of the world and all our lives, then you are always going to be vulnerable to the accusation that you think you have some sort of divine mandate.

Mr Bush clearly does believe God is involved in his life. Asked at a debate in the Republican primary contest in 1999 which philosopher he most identified with, Mr Bush replied promptly, “Christ—because he changed my heart.” At a national prayer breakfast in February 2003, he said he “felt the presence of the Almighty”. The president has talked of making decisions “on bended knee”.

Mr Bush also seems to believe there is some sort of divine plan for the world. In his speech to Congress nine days after the September 11th attacks, the president said that “freedom and fear, justice and cruelty have always been at war, and we know that God is not neutral between them.” In other words, God is involved in the affairs of men, and to be against freedom and justice is to go against the will of God.

By the standards of most evangelical Christians, these beliefs would be considered unremarkable. But Mr Bush cannot be judged by those standards. He is president of all Americans. What about the measure of America's political mainstream? Do these beliefs make him “too religious”, meaning that he crosses the fuzzy line between church and state? Not necessarily.

Mr Bush is in fact in the mainstream of recent presidents. As Michael Cromartie of the Ethics and Public Policy Centre points out, Jimmy Carter taught Sunday school while president. Bill Clinton talked about Jesus more often than Mr Bush and has spoken in more churches than Mr Bush has had rubber-chicken dinners.

Nor, in the American context, is the president's belief that God is involved in the world's affairs exactly ground-breaking. The last paragraph of the declaration of independence—no less—starts by appealing to the "Supreme Judge of the world" and ends "with a firm reliance on the protection of divine providence." Both references in America's founding document are considerably more sectarian than Mr Bush's comment about God not being neutral between freedom and fear. They associate God with America's national interest; Mr Bush did not.

In these two core beliefs, then, the president's religiosity does not seem out of the mainstream. Yet it is worth examining Mr Bush's religious rhetoric more closely, for he does speak about religion more often, and more openly, than most of his predecessors. Mr Bush uses religious rhetoric in five main ways:

• **As a literary device**. In his first inaugural address, he referred to the parable of the good Samaritan: "When we see that wounded traveller on the road to Jericho, we will not pass to the other side." He is especially fond of references to hymns: "There is power, wonder-working power in the goodness and idealism and faith of the American people," he said in the 2003 state-of-the-union address. Critics have complained that such quotations are code to please evangelicals, who recognise them. But religious imagery has been common currency in American public speaking since John Winthrop's "city on the hill" in 1630. Lincoln's speeches are rich with the sounds and rhythms of the Bible. Mike Gerson, the president's chief speech-writer, argues that to fillet out references to God would flatten political rhetoric.

• **As consolation**. "This world he created is of moral design," said Mr Bush at the National Cathedral three days after the September 11th attacks. "And the Lord of life holds all who die, and all who mourn." American presidents have long used religion in their role as comforter-in-chief. Remember Ronald Reagan's tribute to the crew of the space shuttle *Challenger*: "We will never forget them...as they prepared for the journey and 'slipped the surly bonds of earth' to 'touch the face of God'." Mr Bush's usage is little different, and sometimes as eloquent.

• **As history**. On his trip to Africa in 2003, Mr Bush visited a slave-trading post at Goree Island, in Senegal. "Christian men and women," he said, "became blind to the clearest commands of their faith...Enslaved Africans discovered a suffering Saviour, and found he was more like themselves than their masters." In talking about the historical influence of religion, Mr Bush is highly unusual among presidents. But this is the least controversial feature of his rhetoric, since it concerns itself with historical facts, rather than the justification of present policies in religious terms.

• **Arguing for his faith-based policies**. Potentially this is more problematic, since the point of Mr Bush's faith-based initiative is to use religious institutions to deliver social welfare. The proposals have been criticised on those very grounds (for breaching the wall between church and state). But Mr Bush is careful not to claim too much for the role of faith, saying merely that religion is an aid to social welfare, not the heart of it. "Men and women can be good without faith," he told a national prayer breakfast in 2001, "but faith is a force of goodness. Men and women can be compassionate without faith, but faith often inspires compassion."

• **To talk about providence**. At a 2003 prayer breakfast, Mr Bush argued that "behind all of life and all of history, there's a dedication and purpose, set by the hand of a just and faithful God." Yet, as he admitted in his 2003 state-of-the-union address, he does not think himself privy to that purpose: "We do not know—we do not claim to know—all the ways of Providence, yet we can trust in them."

By God, by George

All this amounts to a great deal of God-talk. But is it too much? Does it cross the line? That depends, of course, on where you think the line is.

Mr Bush has been careful not to sound sectarian when talking about religion. He angered many supporters by claiming, for instance, that Muslims worship the same God as Christians (a view espoused by Harry Truman but not by most evangelicals). He visited a mosque after September 11th. "We do not impose any religion; we welcome all religions," he said at a 2001 prayer breakfast. "We do not prescribe any prayer; we welcome all prayers."

By and large, Mr Bush has not associated the workings of providence with America or himself. The best evidence is his frequent assertion that “the liberty we prize is not America's gift to the world. It is God's gift to humanity.” To many Europeans, this formulation seems unnecessary. They argue that liberty is good in itself, not because it is God's gift. But to Americans the association is almost axiomatic, since it is rooted in the declaration of independence (“all men are created equal, that they are endowed by their Creator with certain unalienable rights”). In some ways, Mr Bush is actually rejecting the “exceptionalist” claim that America is a unique nation singled out by its liberty.

Mr Bush's followers have been less prudent. They talk as if he has the mandate of heaven. “The Lord has just blessed him,” said Pat Robertson, the founder of the Christian Broadcasting Network. “I think President Bush is God's man at this hour,” said Tim Goeglein, of the White House Office of Public Liaison, soon after the September 11th attacks. But when Mr Gerson said the same thing (“Mr President, when I saw you on television, I thought God wanted you there”), Mr Bush retorted: “He wants us all here, Gerson.”

Lastly, while Mr Bush goes on about the importance of faith, he never talks about policy—even issues with a moral component—in terms of doctrine or revelation. Evangelicals, for example, want to ban gay marriage because (they say) it is against God's will. Mr Bush never says this. He opposes it on the grounds that marriage is an institution so fundamental to society that it should not be changed. That is also why he has been so cautious in arguing for his faith-based policies.

That said, to speak frequently and directly about religion in a divided America can itself be divisive. Some Americans think religion should be purely private. The Texas Republican Party's 2004 platform “affirms that the United States of America is a Christian Nation”. The Supreme Court discusses the words “under God” in the pledge of allegiance. When he talks about religion, Mr Bush rarely strays far from the mainstream. But America is a country in which the place of religion in the public sphere has never been fixed, and probably never will be.

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Official vetting

Their kinda guy

Dec 16th 2004 | NEW YORK
From The Economist print edition

Is there anything George Bush's putative homeland-security tsar didn't get up to?

AP

A few things I should have mentioned...

EVEN loyal members of the Bush administration might concede that, in retrospect, Bernard Kerik didn't have the best résumé to become secretary for homeland security. New York's former police commissioner, it turns out, abandoned a Korean daughter for most of her life, accepted unreported gifts from firms doing business with New York City, was expelled from Saudi Arabia after a physical confrontation with a local police official, was fined $2,500 for assigning detectives to help research his book and, inevitably, employed a possibly illegal nanny.

Days after George Bush tapped Mr Kerik to take over the Department of Homeland Security, the bulldog-like ex-cop withdrew his candidacy. The immediate prompt was the nanny: he suddenly remembered failing to pay taxes for a lady who may also have been an illegal immigrant. But since then revelations have been coming quicker than would-be domestic servants crossing the Rio Grande.

Mr Kerik's most recent wedding was partly paid for by people with city contracts, and his best man has since been indicted on stock-fraud charges. Mr Kerik used a reported $3,000 of police funds to commission 30 busts of his own moustachioed self. Six years ago a warrant was issued for his arrest in New Jersey over unpaid condominium fees, though the warrant was eventually withdrawn.

Then there is his love life. At the prayer sessions before cabinet meetings, the “two-mistress supercop with his secret downtown love-nest” would have had more to confess than most. He allegedly dispatched (rather gallantly) homicide detectives when one girlfriend lost her mobile phone. Two prison officers have filed separate lawsuits claiming he didn't promote them after they reprimanded another mistress. Not that he was against marriage: indeed, he had a secret third marriage 20 years ago, which going on the dates given in his own memoir, “The Lost Son: A Life in Pursuit of Justice”, may have overlapped with his second marriage.

Even before these revelations, Mr Kerik was a self-confessed rough diamond. Born in New Jersey, his mother, a prostitute, abandoned him when he was four. Her pimp later killed her. After army service in South Korea and a spell as a security officer in a Saudi royal hospital, he eventually became an NYPD undercover narcotics detective, sporting waist-length hair and six earrings. Following a stint as Rudy Giuliani's chauffeur, he quickly rose through the ranks, heading the city's prison department before taking on the NYPD.

Amazingly, Mr Kerik was twice cleared for high office by New York City's Department of Investigation. It's not certain what Mr Giuliani knew about one of his closest advisers, but other potential Republican presidential candidates are sure to ask. It will be small comfort that Mr Kerik's nomination also had Hillary Clinton's nod.

As for Mr Bush's people, the White House counsel, Alberto Gonzales, who is himself the nominee for attorney-general, headed the vetting process. The official line was that Mr Kerik's no-excuses attitude seemed a perfect fit for the unwieldy 180,000-person agency for homeland security. On the other hand, it would have helped if somebody in the White House had bothered to “Google” the guy.

Joe Lieberman, a Democratic senator, and Asa Hutchinson, the deputy head of homeland security, are

now being floated as possible “superclean” nominees. In the meantime, only one man looks good: New York's mayor. Mike Bloomberg replaced Mr Kerik as police commissioner.

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In praise of tailgating

Parking-lot players

Dec 16th 2004 | GIANTS STADIUM, MEADOWLANDS
From The Economist print edition

One of America's most gloriously absurd pastimes

IT IS hard to imagine a less hospitable place to spend a December afternoon than the car park beside Giants Stadium. The damp chill winds that whip off the Hudson river and over the New Jersey swampland remove several teeth each time you open your mouth. The stadium is desperately hard to reach, with no rail link and miles of clogged roads.

So what, you might say: New York's American-football fans will endure anything just to see their beloved Jets in action. Yet thousands of the frozen souls who begin arriving in the car park from dawn have no intention of entering the stadium.

Of all the bizarre blood-sports in America, nothing really rivals “tailgating”. Not long ago, this referred to the practice of sticking a few sandwiches and thermoses in the boot of a car to be shared before entering a football stadium. Now true tailgaters prefer to watch the game on television in the car park.

Tailgating is powered by twisted logic and mitigating technology. The twisted logic is that you see the game better on TV (which is true, but hardly justifies leaving your home to do it). The mitigating technology is the invention of ever larger and better equipped vehicles and tents that provide a place to watch the game in some sort of style.

The most devoted Jets tailgaters have traded their cars in for trucks, then trucks for ambulances, ambulances for camper-vans, and campers for ever-bigger buses. A 50-metre stretch of concrete near the stadium entrance is the tailgaters' Fifth Avenue. There a line of buses owned by “members” carry multiple televisions and enough grills, fryers, steam trays, ovens and microwaves to produce a 20-course meal that will last most of the day.

Food and drink seem to matter more than football. Inside the stadium, fans have to chomp on overpriced hot-dogs. By contrast, John Acampora, a 47-year-old former New York City employee who is the head chef for his bus, begins preparations for the Sunday game on Thursday with a $1,500 trip to gourmet grocery stores; he will feed 40 people. Eight years ago, on a small piece of grass across the lot, Vinny Veconzo and his son started with a small barbecue. Now they have a heated tent shared with dozens of other people.

Now this way of life is under threat. New York City has hatched a plan to lure the Jets back to the city in a beautiful stadium accessible by foot and public transport and not far from the city's wealth of restaurants. The tailgaters are appalled. Where would the buses go? How will they fuel their barbecues when city laws prohibit the transport of propane? Tent communities would not be viewed kindly in New York. There would, the tailgaters cry, be nothing to do but watch the game. And what would be the point of that?

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Black universities

Slightly separate, not that equal

Dec 16th 2004 | ATLANTA, GEORGIA, AND COLUMBIA, SOUTH CAROLINA
From The Economist print edition

A quirk of history faces a new challenge

WHEN first-year students at Benedict College in Columbia, South Carolina, receive their grades, they may see As or Bs, even if their academic performance doesn't merit it. Under Success Equals Effort (SEE), a controversial new grading policy, freshman grades at the historically black university are calculated on a 60-40 formula: effort counts for 60%, academic performance for only 40%. In their second year, the formula is 40-60. Only in their third junior year will students be judged strictly on academic performance.

The SEE programme, which is being scrutinised by the Commission on Colleges of the Southern Association of Colleges, was introduced a year ago by Benedict's president, David Swinton, who went to Harvard himself, but insists that incoming students lack the study habits and other skills necessary to succeed. It has caused an uproar among faculty members, and alumni too have wondered whether the quality of their own degrees will be questioned.

The fuss about the SEE policy has crystallised worries about black education in general (blacks score lower in normal exams than whites and Asians) and about “historically black” universities in particular. Benedict College is one of 105 such institutions that educate some 300,000 students. Many of them were founded in the South in the late 19th century to serve black students banned from attending segregated state universities. Martin Luther King, Spike Lee and Toni Morrison all attended black colleges. They may account for only 2% of America's student population, but they award a quarter of all bachelor's degrees given to blacks.

Black universities are still around 90% black. Yet ever since segregation disappeared in the 1960s, they have faced direct competition from better funded universities for the best students, professors, administrators and donors, and this competition has often done damage. While universities have been growing like topsy in America over the past quarter-century, a dozen black colleges have closed. The biggest problem is money. William Gray, the former president of the United Negro College Fund, reckons that the combined endowment of the black colleges is $1.6 billion—roughly equal to that of Brown University, which has 8,000 students.

Black colleges often take on students who might not otherwise go to university. Such students are often not just poorer, but need more time to achieve a degree. At North Carolina A&T University in Greensboro, only a quarter of the students who entered in 1992-99 had graduated after four years. When such students leave, they tend to be more in debt. In Georgia, historically black Savannah State has similar enrolments and charges as Georgia Southwestern State, a whiter rural college, but Savannah has recently had more students defaulting on their loans. Black colleges are particularly dependent on government aid, both directly (they should get $224m from the federal Department of Education alone in 2004) and indirectly, through grants to students.

Those have been cut both at the state and federal level, which has an effect on the sort of teaching offered. Earlier this year, the Institute for Higher Education Policy, a liberal-leaning Washington think-tank, gave warning that black colleges were falling behind on technology spending. However, many of the black colleges' problems have been self-inflicted, with a number of notable scandals. Morris Brown College in south-west Atlanta, founded in 1881 by the African Methodist Episcopal Church, lost its official accreditation last year because it was $27m in debt with no obvious way to pay it back. This month its former president and financial-aid director were indicted on fraud charges, including using federal grants to pay $5m in back loans and taking student aid for students not actually enrolled. Southern University, a well-known black university in Louisiana, is investigating claims that an employee in the registrar's office took money to change the grades of 500 students.

Yet others are thriving in the same harsh market. Just down the road from Morris Brown, Spelman College, which is for women only, boasts a $219m endowment and a posh Phi Beta Kappa chapter. Michael Lomax, the new head of the United Negro College Fund, helped raise $60m in his former job as head of Dillard University in Louisiana. Norfolk State University has positioned itself as an economic-development hub in southern Virginia. And new donors are stepping forward: the Tom Joyner Foundation, started by a radio host, has raised more than $20m since 1998.

A sort-out would be good, not least because the idea of a “black” university seems bizarre nowadays. The National Hispanic University, set up in 1981 in San Jose, California, cites the black colleges as a model. But, on the whole, other minorities have eschewed the approach, and blacks themselves might wish their colleges were a little less distinctive.

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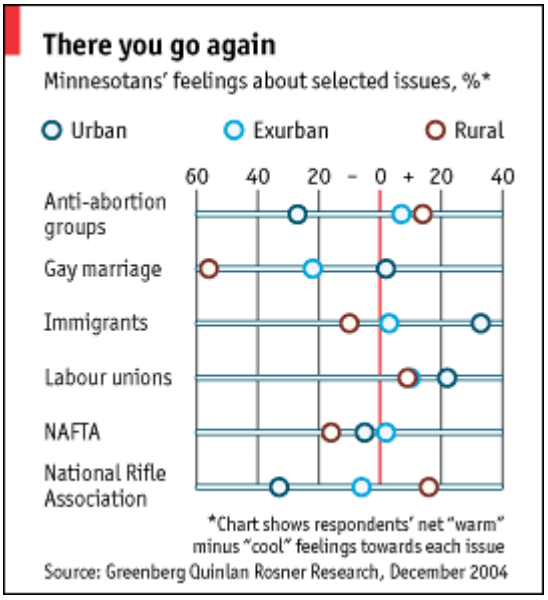
The mood of Minnesota

Strangers not wanted?

Dec 16th 2004 | ST PAUL
From The Economist print edition

A new report shows restlessness, and a little prejudice, in the exurbs



IN NOVEMBER'S election Minnesota went for John Kerry. But the fact that some polls showed George Bush ahead fairly late in the contest was a brutal reminder to local Democrats of how far Minnesota has drifted to the right.

Despite its Scandinavian socialist reputation, bits of rural Minnesota have always taken a conservative view of the world. But the shift to the right really stems from the growth of the "exurbs", the suburbs-of-suburbs where one in five Minnesotans now live. It is here that Republicans have been gaining most (as indeed they have across the country). Hence the interest in a new exurb-focused study of Minnesota from an impeccably Democratic team.

Commissioned by the former vice-president, Walter Mondale, and conducted by two prominent Democratic pollsters, Stan and Anna Greenberg, "The Changing Shape of Minnesota" reveals a state in a dour mood about a declining sense of community. Leftish egalitarianism is not dead: most Minnesotans wanted government rules to protect the environment and to ensure equal access to health care and education. But then there are the pesky exurbs.

The exurbanites are not a lost cause for the Democrats. They are more liberal than rural conservatives on cultural issues, such as guns and gay marriage (see chart). The issues they care about most—education and health—are Democratic ones, and they are willing to pay for them: 61% would support higher taxes to improve the schools.

But it is not hard to detect signs of stroppiness. The exurbanites want their government to be more accountable; 59% of them believe it to be wasteful and inefficient (only a few points lower than those conservative rural residents). They are also more worked up than anybody else about foreign immigration, with one in five saying it was the most discouraging thing about their state—far more than any other group.

To be fair, exurbanites overall still rated immigrants (just) a plus. But something is plainly stirring in the suburbs. "I'm not a racist, but..." was how many of the conversations in focus groups reportedly began. There were plenty of complaints that immigrants were living off other Minnesotans' tax dollars while refusing to learn English.

A momentary blip in a liberal state that is 90% white? In fact, things may have got worse since the report was completed in June. Last month, a Hmong hunter from St Paul shot eight white hunters in north-west Wisconsin, killing six of them—and sparking off a storm of sometimes unsavoury protest.

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Lexington

The organisation man

Dec 16th 2004
From The Economist print edition

The Republicans have already taken an important step towards keeping the White House in 2008

THIRTY years ago, political commentators from David Broder down were all busy writing their obituaries of America's political parties. Today the parties are arguably more important than they have been for a century. Partisanship is on the rise; ticket-splitting is on the decline; legislative compromise is a dying art. Politically active Americans are increasingly divided into two well-organised warring tribes, liberals and conservatives, who disagree about the most fundamental issues of life.

An age of political parties is also an age of party mechanics. Races are won not just by charismatic drivers, but by the toilers who spend their lives fine-tuning the political engines. The Republican National Committee (RNC) and the Democratic National Committee (DNC), which help to raise money, support candidates and co-ordinate campaigns, can make all the difference in contests that often depend on mobilising loyalists rather than persuading swing voters.

The Republicans clearly won the organisation war this November. The Democrats didn't do badly: John Kerry's popular vote was 12% more than Al Gore's. But the Republicans did better: George Bush's popular vote jumped by a fifth. In the past fortnight both Terry McAuliffe, the outgoing chairman of the DNC, and Howard Dean, the darling of the “Democratic wing of the Democratic Party”, have gone out of their way to praise the Republicans. “We ran the best grass-roots campaign that I've seen in my lifetime,” said Mr Dean. “They ran a better one.”

The Republicans are now consolidating this organisational advantage. While the Democrats face a civil war over who should succeed Mr McAuliffe at the DNC, with eight candidates (including Mr Dean) sparring for the job, the Republicans have already settled on their man for the RNC.

A mere 38 years old, Ken Mehlman does not fit many stereotypes. He isn't a Washington veteran like the current chairman, Ed Gillespie (who retires in January to return to his lobbying firm). He isn't a “character” like the smooth-as-molasses Haley Barbour. He isn't a nationally known figure like George Bush senior. He comes across as a classic company man—the whippersnapper CEO of a data-management company in Plano, Texas, perhaps—rather than a back-slapping pol. But it is impossible to find anybody in political circles, Democratic as well as Republican, who doesn't think that he's the ideal man for the job.

Karl Rove may have been the architect of Mr Bush's victory—the man with the grand strategic visions and the sweeping sense of history. But Mr Mehlman was the mechanic who translated those strategic visions into reality. His main assets are an extraordinary command of detail (his colleagues dubbed him “Rain Man” because he can reel off election statistics much as Dustin Hoffman, in the film, could calculate at a glance the number of toothpicks spilt from a box) and the iron discipline necessary to keep Mr Bush's unruly army together.

In the last election, the Democrats seemed to take the more modern managerial approach: they contracted out much of the grunt work of politics to outside “527” organisations and made extensive use of paid canvassers to register and turn out voters. Trade unions paid 5,000 people to work full-time on the election, for example. By contrast, Mr Mehlman slowly built up a volunteer army of 1.4m loyal Republicans.

The volunteers made much better salespeople than the Democrats' paid hacks. (“Who do you find more believable?” asks Mr Mehlman. “A paid worker from outside or a friend and neighbour?”) They also operated under the political radar; the Democrats systematically underestimated the Republican effort. And they allowed Mr Bush's campaign dollars to stretch much further: in Ohio, the Bush-Cheney campaign had only a couple of hundred paid staff but 80,000 volunteers.

Yet this volunteer army also required an inordinate amount of management. Mr Mehlman dug up Republicans in the corners of America that campaign managers often overlooked—especially the new exurbs. He used all sorts of business metrics: marketing data to find potential supporters, performance measures to make sure they were doing their job and rewards to keep them motivated (successful volunteers were invited to Mr Bush's rallies, for example). He bristles at the idea that Democrats like Mr Dean won the internet wars. The Democrats used the internet primarily for fundraising, he says. The Republicans used it for organising, with 7.5m e-activists.

All revved up and somewhere to go

Mr Mehlman faces two obvious challenges. First, the Democrats are already learning from their opponents. Mr McAuliffe, for instance, waxes lyrical about the Republicans' use of targeted advertising. Second, it is notoriously hard to keep up the enthusiasm of volunteer armies: look at the way the Christian Coalition has faded to a shadow of its former self. Mr Mehlman argues that the best way to keep volunteers motivated is to keep delivering the legislative goods to Bush voters. But it is easy for a second-term president's legislative agenda to stall.

Even allowing for these problems, though, it is plain that Mr Mehlman's Ferrari is in far better nick than his opponents' Lada. The Democrats, after all, are still only talking about how to catch up, not actually doing so. And Mr Mehlman is already laying plans for the next round of elections.

Moreover, the political terrain still looks better for the Republicans. Mr McAuliffe's successor will have to concentrate on shoring up his party's defences: hanging on to core Democratic constituencies such as blacks and Latinos. The Republicans are flourishing in almost all the fastest-growing bits of the country. If the biggest challenge in American politics is reinventing parties for the age of the internet and the exurb, then the Republicans are streets ahead of the opposition.

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Peacekeeping in Haiti

Operation Deep Pockets

Dec 16th 2004 | PORT-AU-PRINCE
From The Economist print edition

Reuters

After a slow start, there are signs of progress in restoring order to Haiti—but not yet enough to be reassuring

HAITI'S portly interim prime minister, Gérard Latortue, is an amiable fellow, but he likes to speak his mind. He did so this week in no uncertain terms. “The Haitian people cannot wait any longer,” he said, echoing the mounting impatience and frustration of his countrymen.

In particular, two issues—security and overseas financial aid—currently dominate discussions over how to help Haiti after the bloody ouster of Jean-Bertrand Aristide, its president, in February. Haiti has seen little of the $1.3 billion pledged at a donors' conference in Washington in July. And in recent weeks the security situation has gone from bad to worse.

Pro-Aristide gangs went into open revolt in late September, calling for the ex-president's return—apparently encouraged by the misguided idea that a Democratic victory in the United States election, coupled with popular clamour for Mr Aristide, would bring him back from exile in South Africa. Armed with an impressive array of guns, the gangs erected burning barricades to block entry to their slum strongholds, and at the end of October launched a campaign of violence that gang leaders refer to as “Operation Without-Drawing-Breath”.

In the largely anti-Aristide media it is dubbed “Operation Baghdad”, a reference to the decapitated bodies of policemen that began appearing on the streets. “It's a carefully calculated plan to create panic and disrupt commerce and schools,” says Jean-Claude Bajeux, a leading human-rights activist. He and others, including Mr Latortue, detect the hand of Mr Aristide.

Though the gangs may number a mere 200-300 armed fighters, they are desperate and enjoy support among the poor. Port-au-Prince's slums, such as Martissant, Delmas 2, Bel Air and Cité Soleil, form a strategic cordon around the capital's main commercial district (see map). The sound of gunfire can paralyse the city, sparking mass stampedes as residents scramble for shelter.

The rising death toll, estimated to be more than 120 by mid-December, appeared to catch United Nations peacekeepers unawares. That is largely because the UN Stabilisation Mission (MINUSTAH), which by January will consist of over 8,300 troops and police, was slow to put its boots on the ground. In the UN's defence, its forces are made up of mostly small contingents from 41 countries, including places like Nepal, Benin and Togo, presenting a logistical nightmare.

But by now the peacekeepers have become the butt of jokes. In Pétionville, a wealthy enclave on the slopes of a hill overlooking the capital, the Brazilian troops are referred to disparagingly as *les Brésiliennes*, in the feminine gender. Others complain UN staff are taking things too easy. “The vehicles of MINUSTAH are found mostly in Pétionville instead of patrolling hot-spots at night,” says Bernard Gousse, the justice minister.

And besides enduring jibes from locals, the Brazilian general in charge of the peacekeepers, Augusto Heleno Ribeiro, complained earlier this month that he was “under extreme pressure from the international community to use violence”. What he commands, he added, is a “peacekeeping force, not an occupation force”. The day before, gunfire had erupted outside the presidential palace while the American secretary of state, Colin Powell, was inside for an official visit.

But MINUSTAH is now finally almost up to full strength, and beginning to flex its muscles. It has made incursions into the slums before alongside the Haitian police, whom local residents accuse of arbitrary arrests, beatings and killings. On December 14th several hundred UN troops in armoured personnel carriers stormed the waterfront Cité Soleil slum, in a surprise attack on a pro-Aristide gang-lord, Dread Wilme. Several people were killed and wounded, according to residents, though the UN said it had no reports of deaths. But the troops successfully reoccupied two police stations that had been abandoned for months.

Such actions, UN officials hope, will eventually crush the resistance. But much remains to be done, and not just in the capital. Former soldiers from the disbanded Haitian armed forces, who participated in the February uprising that forced Mr Aristide from power, continue openly to display weapons in other cities. They also allegedly control several ports, siphoning off customs revenue. This week one ex-officer, Remissainthe Ravix, occupied Mr Aristide's home in the posh suburb of Tabarre.

As for international aid, it has so far done little to alleviate the country's dire poverty. Upon taking office Mr Latortue promised Haitians that donor money would be put to quick use by creating jobs and fixing roads, schools and health clinics. None of that has happened yet. Foreign donors recognise that funding for Haiti has fallen badly behind schedule, and are looking for ways to fix that.

But much of the blame also lies with the Haitian bureaucracy. True, on the fiscal side, Mr Latortue's government has done suprisingly well. Despite the current turmoil, it has increased revenue as a percentage of GDP from 8.2% to almost 9% through fiscal discipline, trimming bloated state entities and reducing corruption—though partly also thanks to an estimated 5% fall in GDP itself. As a reward, officials say, Haiti should receive $140m in balance-of-payments support next year, equivalent to over one-third of government revenue.

Yet ironically, the government seems unaware of the resources it has. After Mr Latortue complained that international financial institutions were being slow to release donor money, World Bank officials had to point out he had cash sitting unspent in his own treasury. The government has also failed to show how it plans to spend $800m in donors' project money. Few projects have been submitted and a commission to oversee bidding for public contracts has only just been set up.

It will take generations of sustained foreign aid noticeably to alter the living conditions of Haiti's 8.4m inhabitants, at least three-quarters of whom live below the UN's standard poverty line of $2 a day. But donors are wary of repeating the errors of the 1990s, when millions of dollars went to waste in failed nation-building. They will need clearer signs of a return to stability to reassure them that they will not be throwing good money after bad.

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Brazil's governing coalition

Falling apart, though not really

Dec 16th 2004 | SÃO PAULO
From The Economist print edition

A small schism, but one that could grow

IT SOUNDS worse than it is: on December 12th the second-biggest party in Brazil's coalition government, the Brazilian Democratic Movement Party (PMDB), decided to leave it. Since the PMDB is the largest party in the Senate, with 22 of the 81 seats, and has 77 of the 513 votes in the lower house of Congress, its defection ought to weaken the government of Luiz Inácio Lula da Silva. But it is less a disciplined ideological army than a bunch of soldiers of fortune who happen to wear the same uniform. Most of its congressmen will, at least for now, continue to follow Lula's orders.

The principal mutineers are the PMDB's governors, who rule six of Brazil's 27 states. Several fancy themselves as challengers to Lula in the 2006 presidential elections. There is talk of the PMDB joining up with two left-leaning smaller parties to form a “third force”, opposed both to Lula's Workers' Party (PT) and the Brazilian Social Democracy Party, the main opposition grouping. One potential constituent of the third force, the Popular Socialist Party, pulled out of the government along with the PMDB. The other motive for mutiny is to warn the PT against fielding challengers to PMDB candidates for governor in the 2006 elections.

For PMDB people in Congress, however, it is better to stay in government. The party's two ministers have no intention for now of surrendering their portfolios. One of the party's senators expects to be elected president of the Senate, with government support.

Lula is currently revelling in the news that the economy expanded by 5.3% in the first nine months of this year and that his popularity is high and rising. A recent poll showed him handily beating all challengers in 2006. If this holds up, the PMDB might well renew its alliance with the PT by then.

But Lula can hardly afford complacency. Growth may slow next year, denting his popularity. Although he portrays himself as a champion of the poor, his government's efforts to help them have so far been inept. And with the PMDB partly out of government, he will find it harder to enact controversial reforms, for example of labour laws. If next year does not go well for Lula, the PMDB might desert for real.

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General Pinochet

Old alone

Dec 16th 2004 | SANTIAGO
From The Economist print edition

A new indictment may not mean jail, but shows the ex-dictator's isolation

EPA

Get article background

IS IT too late for Augusto Pinochet, now 89, to answer for the human-rights violations of his 1973-1990 dictatorship? Not according to Juan Guzmán, a Chilean judge, who on December 13th indicted the general, arguing that he is fit to stand trial for the disappearance or murder of ten of his regime's opponents, and, pending an appeal, ordered his house arrest.

This is not the first time that Mr Guzmán has challenged the health grounds that, in 2000, secured the former dictator's release from arrest in London. In December 2000, Mr Guzmán also charged General Pinochet, and put him under house arrest, in a case involving the execution of political prisoners by the "death caravan", a military squad that toured Chile after the 1973 coup. However, an appeals court and the Supreme Court found that dementia rendered the old man unfit for trial.

In the present case—which refers to crimes committed between 1975 and 1977, allegedly as part of Operation Condor, a plan devised by South American dictatorships to eliminate opposition—prosecution lawyers hope that he will at last face justice. The mood of the country has, they argue, changed over the last three years. Support for General Pinochet was undermined earlier this year by the discovery that, contrary to his supporters' belief that he did not profit from power, he held several secret bank accounts in the United States; and more recently by an official report revealing the full extent of the torture inflicted on political prisoners during his dictatorship, as well as its systematic, organised nature.

The prosecutors' hopes may, however, be misplaced. Yes, there is evidence that the general's mental incapacity, although apparently progressive, may have been exaggerated. But he suffers from many physical ailments, including diabetes, a heart complaint and deafness, and it will be difficult for the courts to go back on their earlier ruling without losing too much face. Besides, court investigations in Chile tend to take so long that General Pinochet's age in itself makes a conviction unlikely.

All the same, by declaring him fit to stand trial, Mr Guzmán has given a helping hand to two other judges who are investigating the 1974 assassination of General Carlos Prats, General Pinochet's predecessor as army commander, and the origin of the funds in General Pinochet's bank accounts. His committal to trial in either of these highly charged cases—even though it would, again, be more symbolic than effective—would only deepen the already deafening silence from the military and civilian supporters who, but a few

years ago, would have jumped to his defence.

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Fat Mexico

Sins of the fleshy

Dec 16th 2004 | MEXICO CITY
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Mexico now enjoys two important characteristics of rich countries. Unfortunately, they are obesity and diabetes

FOOD and drink play a major role in Christmas celebrations in most countries, but in few more so than in Mexico. Many families over the festive season will do little more than cook and ingest a seemingly constant cycle of tortillas, fried beans, meat both roasted and stewed, and sticky desserts for days on end. Thus does the extended family keep on extending—further and further over their collective waistlines.

Lucky them, you might think. Except that Mexico's bad eating habits are leading to a health crisis that most Mexicans seem blissfully unaware of. Obesity and its related disorder, diabetes, are now major health concerns in a country where large rural regions are still concerned more with under- than with over-nourishment. In its perennial rivalry with the United States, Mexico has at last found an area in which it can match its northern neighbour—mouthful for mouthful.

The statistics are impressive, and alarming. According to the OECD, Mexico is now the second fattest nation in that group of 30 countries. A health poll in 1999 found that 35% of women were overweight, and another 24% technically obese. Juan Rivera, an official at the National Institute of Public Health, says that the combined figure for men would be about 55%, and that a similar poll to be carried out next year will show the fat quotient rising. Only the United States, with combined figures of over 60%, is ahead.

That situation also varies geographically. Although Mexicans populate the north of their country more sparsely than the south, they make up for it weight-wise. A study published by the Pan-American Health Organisation a month ago showed that in the mostly Hispanic population that lives on either side of the American-Mexican border, fully 74% of men and 70% of women are either overweight or obese.

Moreover, even experts have been surprised by how rapidly the nation has swollen. Whereas the 1999 poll showed 59% of women overweight or obese, only 11 years previously that figure was just 33%. Nowhere is the transformation more noticeable than in the prevalence of diabetes, closely linked to over-eating and obesity. In 1968, says Joel Rodríguez of the Mexican Diabetes Federation, the disease was in 35th place as a direct cause of mortality in Mexico, but now it occupies first place, above both cancer and heart disease. With about 6.5m diabetics out of a population of 100m, Mexico now has a higher rate than any other large country in the world. Not surprisingly, Mr Rodríguez argues that Mexico is in the grip of an “epidemic”.

Nor does it tax the brain much to work out that the causes of these explosions in obesity and diabetes are the Mexican diet and a lack of exercise. For most Mexicans, food consumption, not just at Christmas but all year round, is an unvarying combination of refried beans, tortillas, meat and *refrescos*, or fizzy drinks; they consume 101 litres of cola drinks per person per year, just a little less than Americans and three times as much as Brazilians.

Meanwhile, the lack of exercise, Mr Rivera argues, is a symptom of rapid urbanisation over the past 30 years. Obesity and diabetes rates remain slightly lower in rural areas, indicating that manual labour endures as an effective way to stave off weight gain. In Mexico City, though, pollution and crime have progressively driven people out of the parks and the streets, so most now walk as little as possible—preferably no further than from the valet-parking service to the restaurant.

To combat the fat, health professionals say that the country must first realise that it is indeed in the grip of an epidemic. Other diseases, such as AIDS and cancer, have captured most of the publicity in recent years; obesity and diabetes have been comparatively neglected.

But these are also, as in other developing countries, mainly problems of the urban poor. It is a symptom of their growing prosperity that these parts of the population have, probably for the first time, almost unlimited access to the greatest amount of calories for the smallest amount of money. But with little knowledge of nutritional values, their diets are now unbalanced and unhealthy.

Low-carb products and other dietary imports from the United States have already made an appearance on the posher Mexican supermarket shelves. They may go into the shopping baskets of the rake-thin and utterly unrepresentative models who dominate the country's advertising hoardings. But they are still comparatively expensive. For the heaving mass of the population, things may have to get worse before the government, doctors and consumers realise that things have got to start getting better.

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China

A brother for her

Dec 16th 2004 | BEIJING
From The Economist print edition

Alamy

Could China's most notorious social policy soon be scrapped?

A QUARTER of a century after China began urging its citizens to have only one child—and severely punishing the over-progenitive—calls are growing for a change of policy. Some Chinese scholars now say the costs of coping with a rapidly ageing population will outweigh the benefits of maintaining draconian population controls. Even the official media are beginning to publish suggestions that a two-child policy would be preferable.

Various exceptions to the one-child-per-couple rule have long been permitted. In the countryside, couples are allowed to have a second child if the first is a girl. Ethnic minorities are allowed two or more children. And in urban areas since 2001, if both husband and wife are themselves only children they may have two. Despite the loopholes, the policy has undoubtedly helped to reduce the fertility rate, which fell from 2.29 children per woman in 1980 to 1.69 this year, according to estimates by America's Census Bureau. A fertility rate of around 2.1 is considered the level at which a population can replace itself. China's population, currently the world's biggest at 1.3 billion, should begin to shrink by mid-century.

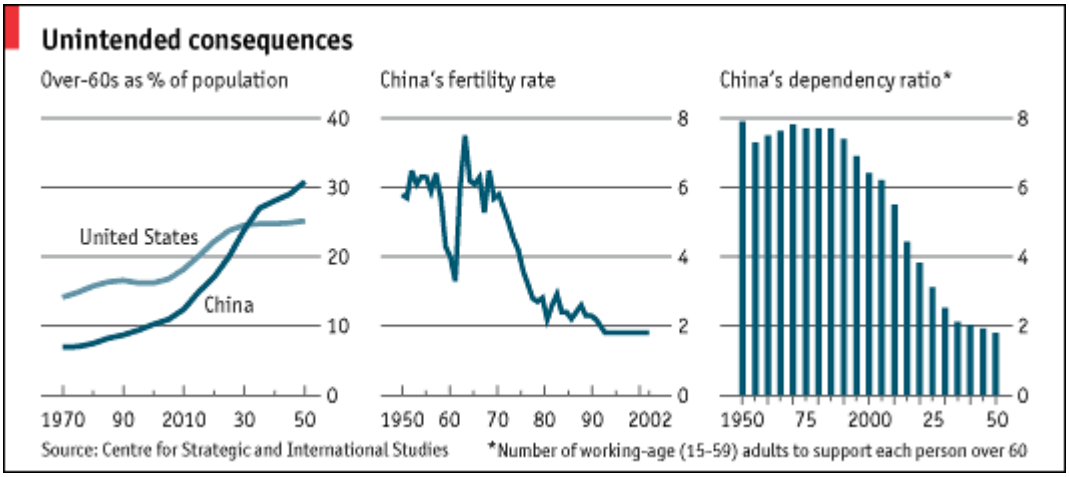
The impact of the policy is particularly evident in urban areas, where the government has found it far easier to enforce the rules. Fines can range from between three and ten times the average annual urban income. Officials and employees of state-owned enterprises can be demoted or dismissed and the second child can find it difficult to get a place in school. So rare is it now for a city couple to have more than one child that the appearance of your correspondent's small offspring in public arouses frequent exclamations of “three!”

The extent of compliance in the countryside is more difficult to gauge. Although rural violators are sometimes treated brutally—forced abortions and destruction of property are not uncommon—village officials often turn a blind eye in order to avoid confrontation with peasants desperate to ensure support in their old age. Rural fertility rates are believed to be higher than China's statistics show, since many children are concealed from census takers.

China says that its population control measures have resulted in some 300m fewer births in the last 30 years. But while such measures may have helped to ease pressure on scarce resources and reduce once

widespread poverty, they are also aggravating demographic imbalances that could undermine these gains.

In the next decade, the proportion of China's population aged 65 and over will begin swelling rapidly while the growth of the working age population will shrink (see chart). China's rate of ageing will be faster than that of any other country in history. If current trends continue, the ratio of working age people to retirees will fall from six today to two in 2040. That will impose colossal financial burdens in a country already struggling to meet its pension commitments to the elderly. In urban China, what is referred to as the “4-2-1 phenomenon” looms on the horizon: four grandparents and two only-child parents being supported by one only child.



The sex ratio is also becoming increasingly skewed. Cultural bias in favour of males has produced an officially recorded ratio at birth of 118 boys to 100 girls, according to China's national census in 2000. The normal ratio is about 105 to 100. Some female births (as well as some male births, though fewer) are not recorded, in order to avoid reprisals by zealous family-planning officials. But a large part of the distortion is caused by selective abortions. A pilot programme to tackle this by restricting late abortions (those after 14 weeks, by which time the sex can be determined) will start next year. Infanticide is far rarer, but neglect or maltreatment of female babies results in a considerably higher mortality rate than among boys.

The one-child policy is by no means entirely to blame. Mu Guangzong of Renmin University of China in Beijing says that even without it the fertility rate in big cities would only be around 1.5, well below the replacement threshold (but higher than 1.0 as it now is in Beijing and Shanghai). The desire for larger families has been considerably blunted by China's transition in recent years to a market economy. Health care, education and housing, once provided virtually free to most city dwellers, are now costly. Mr Mu says that even in the handful of rural counties where the authorities have experimented with allowing farmers to have two children unconditionally, parents have shown little inclination to exceed that number.

Mr Mu argues that a two-child policy is long overdue. In his view, the current policy is making families feel increasingly insecure. Mothers who had a single child in the early days of the policy are now becoming too old to have any more children, making them particularly fretful about the possibility of their only child dying or becoming incapacitated. In June a book by a journalist about the hundreds of thousands of families who have experienced such ordeals became a bestseller. The government later banned it.

But the government's sensitivities have not prevented the publication of several articles in the official media in recent months quoting the views of other one-child policy critics, including Mr Mu. In October, a senior family-planning official was quoted in one newspaper as saying a two-child policy would be more suitable. This prompted a spate of denials by other officials that any change was imminent. But officials have hinted in the past that the policy could be eased after 2010, and studies of its impact are said to be under way.

Already some places are making it easier to have two children. In 2002, Jilin province removed stipulations that those qualified to have two children must wait four years before having the second. Hainan province and Shanghai have followed suit.

Economic change is already undermining the government's efforts to enforce the policy. Rich urbanites are increasingly willing to pay the fines, or sometimes even buy expensive *in vitro* fertilisation treatment that might increase their chances of having multiple births. Some try to have a second child abroad, so that the child can get a foreign passport and not be counted by Chinese family-planning officials.

A two-child policy would certainly boost fertility rates and could cause China to exceed its desired maximum population of 1.6 billion in 2050. But it could also slow down the ageing of the population and, by changing the ratio of young workers to old people, give time for the creation of a decent social-security system. Not least, it would come as a relief to citizens for whom the one-child policy is now one of the few relics of the Communist Party's once all-pervasive control of their private lives.

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Taiwan

Not so fast, Mr Chen

Dec 16th 2004 | TAIPEI
From The Economist print edition

Independence on hold

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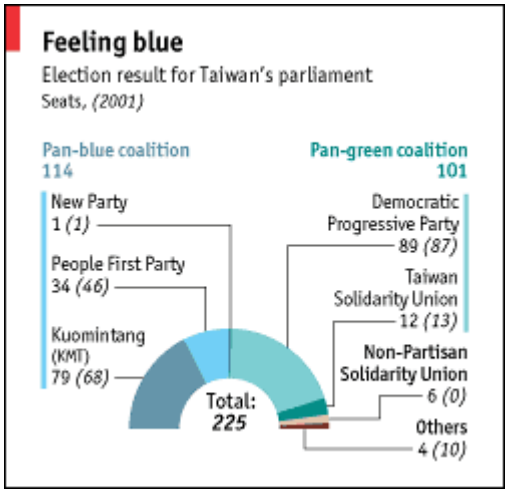

THE Americans are breathing a sigh of relief. Taiwan's Democratic Progressive Party (DPP), known for riling China with its feisty assertions of the island's independence, has surprisingly failed to achieve its goal of capturing a legislative majority to match its control of the presidency. President Chen Shui-bian's China-baiting may well have deterred voters from giving the DPP its prize. And America's obvious irritation with Mr Chen would not have helped him either.

Although it makes no real difference to his power, Mr Chen has resigned from his concurrent post as DPP chairman in apology for the outcome of the December 11th general election. The DPP seemingly had everything going for it: a narrow second-term victory for Mr Chen in the presidential race in March with a much increased share of the vote, and a fractious opposition led by a serial election loser with little charisma, Lien Chan of the Kuomintang (KMT). Opinion polls suggested that the DPP and its allies (the “pan-greens”, as they are dubbed) would break the nearly 60-year grip on the legislature held by the KMT and its friends (the “pan-blues”).

The result was only a modest gain by the pan-greens. Their share of the vote rose to 46%, compared with 41% in the last parliamentary polls in 2001. The pan-blues, who are somewhat more conciliatory towards China, held steady at nearly 50%. But this translated into a mere one-seat gain for the pan-greens, and a one-seat loss for the pan-blues. Factoring in the leanings of independents, the pan-blues could wield a majority of as many as 21 seats.

Many analysts believe Mr Chen would have done better had he not overplayed his hand. Sensing growing public support for a separate Taiwanese identity from the Chinese mainland (Taiwan is in effect independent, but its constitution suggests it is part of a notional non-communist China), Mr Chen infuriated the Chinese by using the campaign to call for a clearer line to be drawn between the two. He said Taiwan should pursue its attempt to join the United Nations under the name of Taiwan, instead of the island's official title, the Republic of China. He called for Taiwan's state-controlled enterprises to use Taiwan in their names instead of China. He suggested that Taiwan's surrogate embassies abroad use the name Taiwan rather than the less attention-grabbing word, Taipei. And, most worrying to China, he called for a new constitution to be adopted by a referendum in 2006.

Never mind that this was largely posturing. Taiwan will never join the United Nations unless China, a veto-wielding member, agrees. It cannot change the names of its offices abroad without risking punitive action by host countries (such as denial of visas). And the DPP cannot adopt and put to a referendum a constitution reflecting Taiwan's independence without an unattainable 75% backing in the legislature. Even if Mr Chen decided to ignore the law and go straight to a referendum, voters might well fail to approve it, given the inevitable opposition of China and America.

Taiwan is well used to China's bellicosity, but America's growing disdain for Mr Chen's rhetoric and unpredictability is unsettling to many. Without America's military and moral support, Taiwan would have to face China on its own. America is worried that Mr Chen's assertiveness could trigger a Chinese attack and drag America into war with a nuclear power—bad enough at any time, but the more so with Iraq and

North Korea to worry about. Since last year, President Bush and other officials have delivered several barely veiled public put-downs of Mr Chen. Earlier this month, a State Department spokesman said the proposed name changes “would appear to unilaterally change Taiwan's status” and that America opposed this.

Mr Chen's more radical supporters accused the Americans of interfering in Taiwan's affairs. But the election turnout was, by Taiwan's standards, low, at 59%, compared with 66% in 2001. Mr Chen's setback is likely to moderate his language somewhat, but whether China will at last swallow its contempt for him and soften its own rhetoric is more questionable. The election may have succeeded in convincing China that tough talk and putting pressure on America to rein in Taiwan can bring results.

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Japan and North Korea

Insult and injury

Dec 16th 2004
From The Economist print edition

Why does North Korea do these things?

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AFP

Megumi Yokota: one of the unforgotten

A MACABRE cock-up or a calculated insult? Japan's discovery that two sets of remains handed over by North Korean officials were not, as claimed, those of Megumi Yokota and Kaoru Matsuki, two of 13 Japanese citizens that North Korea's boss, Kim Jong Il, has admitted were abducted in the 1970s and 1980s, says a lot about Mr Kim's brutal regime. But what, exactly? And will the public fury in Japan now put paid to a tentative opening with North Korea that has taken Japan's prime minister, Junichiro Koizumi, on two controversial trips to the capital, Pyongyang?

Mr Kim knows well Japan's sensitivity over the abductees. His readiness to apologise publicly for their kidnapping brought Mr Koizumi to North Korea for a first visit in 2002. Five of the abductees were brought back to Japan. But efforts to prise more information out of the North about eight others who Mr Kim said had died (plus two others not on his list) were getting nowhere. So in May, Mr Koizumi visited Mr Kim a second time. The price for further and better particulars turned out to be 250,000 tonnes of food aid and $10m-worth of medical supplies. Half the food and about a third of the medical aid has yet to be disbursed and is now frozen. Japan's parliament is demanding sanctions.

Why provoke Japan like this? North Korea is notorious in its disregard for human life: perhaps 2m died of famine and related diseases in the 1990s (out of a population of some 22m), and up to 200,000 political prisoners and their families are confined in harsh labour camps. Against such a background, lack of any concern about the remains of the abductees would not be surprising: one of the two sets turned out to be a mixture of ash and bone from four unknown people.

Yet North Korea did not have to hand over these remains. Japan had merely asked for more information about the circumstances of the claimed deaths. Mr Kim, reckoned to rule with an iron fist, twice promised Mr Koizumi personally the correct information: any old bones would not do. Ms Yokota's case has become a symbol. Her parents are prominent among the Japanese families of the abductees. DNA tests showed that their daughter's “remains” too were someone else's.

So, a calculated insult? But against whom? Mr Koizumi faced public anger in Japan after his first meeting with Mr Kim because of the enormity of the crimes owned up to. Mr Kim may have hoped the apology would end the matter. It didn't (and anyway Japan has scores of other cases it has not yet even raised with North Korea). Was Mr Kim venting his displeasure? Or were others trying to throw his diplomacy off course? There have been rumours of late of tensions within the ruling regime, including the defection of a number of generals to China.

Mr Koizumi faces a dilemma. Japan will demand an explanation from North Korea. Depending on what answer it gets, pressure may grow for new sanctions: barring North Korean ships from port, or blocking remittances from Koreans in Japan. Having lost face, North Korea has accused Japan of a “political plot” and threatened to kick it out of the stalled six-party talks on the North's nuclear programmes. Sanctions, it says, would be an “act of war”.

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Myanmar

Forced labour and other customs

Dec 16th 2004 | BANGKOK
From The Economist print edition

The rising costs of doing business with a loathsome regime

LIFE has just got gloomier for the few foreign companies that doggedly do business in Myanmar. On December 13th, Unocal, an American energy firm with a stake in a gas pipeline in the country, agreed in principle to settle several lawsuits related to that investment. The decision will encourage exiles bringing similar cases against Total, Unocal's partner in the venture, in Belgium and France. It will also galvanise the various boycott campaigns around the world designed to press investors to pull out of Myanmar. But it is unlikely, sadly, to have much effect on Myanmar's military regime.

In all three suits, the plaintiffs allege that among other abuses government soldiers forced them to work on construction jobs related to the pipeline, and that since such abuses were predictable, the pipeline consortium should bear responsibility for them. Total and Unocal, on the other hand, argue that no forced labour went into the construction of the pipeline itself, and that, in any case, they have no influence over Myanmar's army and cannot be held responsible for its conduct.

Barry Lane, a spokesman for Unocal, although cagey about the details of the settlement, still maintains that the firm did nothing wrong and is not reconsidering its investment in Myanmar. But it has agreed to compensate the plaintiffs and provide extra funds for development in the pipeline's area. Total says it will continue to contest its lawsuits, and that it will not withdraw from Myanmar. But following Unocal's settlement, the notion that investment in Myanmar might turn out to involve a financial liability, as well as merely being a public-relations disaster, is no longer far-fetched.

In 2002, Premier, a British oil firm that was the target of a vociferous disinvestment campaign, decided to sell its stake in another pipeline and cease operations in Myanmar. Other firms, including several travel agencies and garment-makers, have recently succumbed to boycotts. America, meanwhile, bans new investments in Myanmar, and does not allow financial transactions with the country, making life difficult for the remaining multinationals.

But Asian firms, which do not suffer from boycotts at home, and find it easier to get around the American embargo, are still willing to invest in lucrative projects. Petronas, Malaysia's main state-owned energy firm, snapped up Premier's pipeline stake.

Moreover, the generals who run Myanmar do not appear to care much about the state of the economy. They fomented a bank run at the beginning of 2003, bringing domestic investment to a standstill. In 2004 they sacked Khin Nyunt, the most dynamic member of the ruling junta, who had brought the internet to Myanmar. They change the tax regime and export regulations arbitrarily and without warning. This is not the behaviour of a group susceptible to economic pressure.

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Australia

Clattering over a moonscape

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The great railway revival

THE train was running late, but the 35 aboriginal children who had travelled for two hours through the South Australian desert to meet it did not seem to mind. It was, after all, Australia's and one of the world's most unusual train journeys. When the Indian Pacific passenger train finally ground to a halt at Watson, a siding on Australia's transcontinental line, the children burst into a rendition of a Spanish Christmas song, “Feliz Navidad”, as Father Christmas disembarked to distribute gifts.

Watson is a red desert moonscape on the Nullarbor Plain at the eastern end of the world's longest stretch of straight rail track, 478km (297 miles). This is a mere one-tenth of the 4,352km, three-day journey the train was making between Sydney on Australia's east coast and Perth on the west coast. The Indian Pacific and its predecessors, such as the Tea and Sugar Train that took provisions to isolated outback communities, were once symbols of Australia's conquest of its vast distances. But by the 1990s, air travel and the neglect of Australia's railways by their federal and state-government owners almost killed the last east-west passenger train.

After threatening to close the loss-making Indian Pacific, the federal government in Canberra sold it and the Ghan, another outback passenger train, to Great Southern Railway (GSR), a British-owned private consortium, in 1997. GSR has now turned a first-year loss of A$20m ($15m) into a small operating profit by restoring rolling stock, hiring young, multi-skilled, non-unionised crews and re-marketing the trains to locals and tourists alike. One innovation was to send the Indian Pacific on a whistle-stop Christmas run taking gifts and music to the outback. This year's journey, the fifth, with impromptu concerts at remote sidings by Jimmy Barnes, an Australian rock star, drew the biggest crowds so far. Broken Hill, a town in western New South Wales struggling since its big silver, lead and zinc mine started winding down, now relies on the Indian Pacific's tourist passengers for economic lifeblood.

The Ghan's revival on the north-south transcontinental line has been even more remarkable. The 65,000-plus passengers it carried through the Northern Territory in 2004 were 60% more than in the previous year. Public interest grew after the opening of a new line between Alice Springs and Darwin, allowing people to make the two-day journey from Adelaide by rail for the first time. GSR plans to double the Ghan's frequency in 2005.

The railway revival still has inefficiencies to overcome. The Indian Pacific competes for space on the single track with trains that carry 80% of the freight between Australia's east and west coasts. Though most of the line is straight and flat, speed limitations mean this is not a journey for anyone in a hurry.

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India

Murder in the temple

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Despite claiming God on its side, India's opposition is in disarray

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Turbulent priest

“THE chosen instrument of the divine,” is how L. K. Advani, India's former deputy prime minister, has described the Bharatiya Janata Party (BJP), India's main opposition party, of which he is president. Following its electoral defeat earlier this year, the BJP is reasserting itself as the nationalist party of India's Hindu majority. But the party's efforts to revive enthusiasm for its ideology, called *Hindutva*, have left it in an unholy mess.

A scandal involving one of the most prominent Hindu clerics has not helped. In November, Jayendra Saraswati, the Shankaracharya of Kanchi—head of an ancient monastic order in the state of Tamil Nadu—was arrested and jailed on charges of having ordered the killing of a temple worker (and persistent critic). His supporters protest his innocence.

After his arrest, BJP leaders leapt to his defence. Mr Advani said it was the result of a climate in which “maligning the Hindu faith, hurting Hindu sentiments and denying legitimate Hindu interests have been made the criteria of secularism.” The BJP and affiliated organisations tried to stir up nationwide protest. Many Indians did see a political motive behind the arrest. But the case has aired tales of financial and sexual impropriety among the clergy, and even child abuse. So the outrage has been contained.

The BJP is suffering from other self-inflicted wounds. Uma Bharti, a former nun, who was until August the chief minister of Madhya Pradesh, a big central state, has been suspended from the party. She threw a tantrum against Mr Advani on television and has been caustic about other party leaders.

Then a famous television actress, who was a BJP election candidate, issued a call (later withdrawn) for the resignation of Narendra Modi, BJP chief minister of Gujarat. Mr Modi's government is accused of complicity in an anti-Muslim pogrom in 2002. He and Ms Bharti are heroes to hardline Hindus, but anathema to the moderates whose votes the BJP needs if it is to reclaim its position as a potential governing party. Reconciling those conflicting interests seems beyond Mr Advani.

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Israel and the Palestinians

Sharon calls the shots

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The Israeli prime minister is riding high, and looking forward to doing business with Yasser Arafat's probable successor

THESE have been good weeks for Ariel Sharon, Israel's prime minister. Israeli politicians who oppose his plan to pull out of Gaza and the northern West Bank, including many within his own Likud party, have tried to block him. So far, they have failed. On December 9th, Mr Sharon persuaded Likud to give him a green light to form a new coalition with the more doveish Labour Party, along with one or two religious parties. Four months earlier, Likud had rejected a similar proposal. But now, faced with the threat of an early election following the previous coalition's collapse, it rallied to Mr Sharon's support.

If Labour can be won over, a new cabinet could be announced next week, though there is still much haggling about its make-up. Shimon Peres, the Labour leader, wants the foreign minister's job, but was by mid-week being offered only the post of minister of “disengagement”. If the two parties can reach an agreement, the new government might even survive until November 2006, when elections next have to be held.

Mr Sharon is doubtless pleased. His most powerful ally, President George Bush, has won re-election. His late arch-enemy, Yasser Arafat, is likely to be replaced as Palestinian leader by the more moderate Mahmoud Abbas (also known as Abu Mazen), who has once again called the armed *intifada* a mistake. Mr Sharon is even winning praise from Hosni Mubarak, the president of a country, Egypt, whose newspapers traditionally depict the Israeli leader with horns and a tail.

In Israel, the debate over the Gaza pullout plan is over. When and if Labour joins the cabinet, a safe majority will be in favour. The settlers will doubtless resist, perhaps violently, when they are actually evicted, probably in July. But politically, they are looking increasingly isolated.

Arafat's demise has sparked talk of change. Mr Sharon is keen that Palestinian elections, scheduled for January 9th, should run smoothly. Israeli forces are to withdraw from Palestinian areas as the voting takes place. And a string of Palestinian officials and Arab-Israeli politicians was allowed to visit Marwan Barghouti, Abu Mazen's more militant rival for the Palestinian presidency, in the Israeli jail where he is

serving five life sentences for terrorist offences. These visitors perhaps helped to convince Mr Barghouti to withdraw his candidacy, which means that Abu Mazen is almost certain to win.

That would make it easier for Mr Sharon to co-ordinate the Gaza pull-out with the new Palestinian Authority (PA), rather than doing it unilaterally. Such co-operation should reduce the risk of violence, and spare Israelis the sight of Hamas flags waving over ruined Jewish settlements. Israelis are mostly happy with Mr Sharon's new doveish posture. Opinion polls rank him higher than any plausible challenger, and the Tel Aviv stock exchange recently touched an all-time high.

Not all the news is good. After several quiet weeks, fresh violence has erupted in Gaza. On December 12th, five Israeli soldiers were killed when Hamas guerrillas tunnelled beneath an army outpost in the town of Rafah and blew it up. In the past, Mr Sharon has hit back hard when provoked. But he does not want Israeli tanks and bulldozers to deter Palestinians from voting for moderates or, worse, to prompt militants to disrupt the polls. So this time he has refrained from the usual massive retaliation. He also ordered the Israeli army to hurry up its quest for a way to thwart Palestinian tunnellers, and warned the PA that “we won't be able to co-ordinate or move forward if terror continues.”

Israeli intelligence blames the upsurge in violence on the “outside” Hamas leadership in Damascus, which rejected Abu Mazen's ceasefire proposal. On December 13th, a car bomb exploded in the Syrian capital, failing narrowly to kill a member of Hamas. Syria blamed the Israeli government, which refused to comment.

Meanwhile, to help Abu Mazen's cause, Mr Sharon has tactfully refrained from saying anything nice about him. Indeed, he has avoided any public discussion of the merits of any of the Palestinian candidates, and any overt contacts with the one he hopes will win. The time to start doing business with Abu Mazen, he figures, will be the day after the election.

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Iraq's petrol shortages

Oil, oil, everywhere

Dec 16th 2004 | BAGHDAD
From The Economist print edition

But ne'er a drop for Iraqi fuel tanks

Reuters

A long, hot, bothersome wait for fuel

THE queue of angry motorists stretches for miles. Baghdad's petrol stations are drier this month than they have been since just after the American-led invasion of Iraq in 2003. Some drivers wait for as much as 24 hours, sleeping in their vehicles. When told that there is no petrol, some have lost their tempers and started shooting. How, asks a furious driver, can an oil-producing country run out of fuel?

Ask an insurgent, and he will assure you that the American army steals the oil for its tanks. Others might blame the lack of capacity at Iraqi oil refineries or the fact that the insurgents keep blowing up the pipelines. But the most important reason is that the government has fixed the price of petrol at approximately zero—barely one American cent a litre.

Officials and petrol-station owners with access to subsidised petrol have a choice. They can do the proper, legal thing and give the stuff away. Or they can let it leak onto the black market, where prices are between ten and 100 times higher. Or they can smuggle it out of the country where, global oil prices being rather steep at the moment, it sells for a tidy sum. Many have chosen the more lucrative options.

Iraqis may imagine that their situation is unique, but it is not. Other oil-rich nations, such as Nigeria, also have governments that try to keep petrol artificially cheap and therefore suffer chronic shortages. Iraq has additional supply constraints, however, in the form of fanatical saboteurs.

In ten minutes, a guerrilla can scrape back a few inches of dirt, uncover some pipe, attach a bomb made from one of the country's abundant abandoned artillery shells, and thereby wreak havoc in Baghdad. Between August and October this year, pipe-raiding by terrorists (and oil thieves) cost the country $7 billion in lost revenues, says the petroleum ministry.

Subsidised petrol in Iraq is a hangover from the Saddam era, but two changes have made the system unworkable. One is that more Iraqis now seem to have cars than under Saddam. The other is that the country is more lawless.

Neither the Americans nor Iraq's infant security forces can guard all 6,000km (3,700 miles) of the country's pipelines, much of which run through virtually uninhabited desert. Saddam's regime used to pay tribes to protect the pipes on their land. American and Iraqi officials have followed suit, but sometimes find that if they pay one tribe, a rival blows up the line and then claims to be more deserving of the protection money. The Iraqi government tries to import refined fuel by truck, but the insurgents often ambush them or threaten to kill the drivers unless they quit.

Some oil experts praise the government for keeping the fuel flowing at all. But with an insurgency raging and an election approaching, no one believes it will risk sparking riots by allowing the price to rise. So the shortages will recur.

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Reform in Syria

What a shower

Dec 16th 2004 | DAMASCUS
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The last Baathists toy with reform

IRAQ'S top Baathists are due to go on trial next week. Syria's are expected to carry on being ferried about in limousines. Though doubtless spooked by the fate of their ideological cousins, some within Syria's ruling party believe that the mayhem that followed Saddam Hussein's overthrow could prolong their own hold on power.

For one thing, Iraq's travails serve to highlight the nicer aspects of Baathist rule. Syria's streets are peaceful. Crime, excluding corruption, is rare. Women enjoy nearly equal rights. The secular nature of the state dampens communal tensions, an important consideration in a country that, like Iraq, is a cocktail of confessions and ethnicities: 60% Sunni Arab, 18% Shia and other Muslim sects, 10% Kurdish and 12% Christian. Being the only Arab country to allow visa-free entry for fellow Arabs has made this a place of refuge, most lately for some 500,000 Iraqis.

Syria's version of Baathism, a hoped-for “renaissance” of Arabs through a form of national socialism, has always been milder than Iraq's. “What, no scaffold, no blood?” a visiting Iraqi Baathist is said to have exclaimed, following the 1963 coup that brought the party to power in Syria. Unlike their fatally stubborn cousins, Syrian Baathists have also recognised the need for reform.

The economy has opened a crack, ushering in a gush of imports. New cars clog central Damascus, while a rash of fancy restaurants has enlivened its once-crumbling Old City. The private sector has ventured into such previously forbidden fields as banking, telecoms, TV production and higher education. Starting this year, schoolchildren no longer have to wear military-style uniforms.

Political life is also less stifled than it was during the 30-year rule of Hafez Assad, who died four years ago. Under his son Bashar, dissent can be voiced aloud. Successive amnesties have cut the number of political prisoners from thousands to hundreds. A third of cabinet ministers are non-Baathists, and the tone of internal party debate augurs further opening.

Yet all is not well. Syria remains a police state, where justice is venal, arbitrary and severe. Change has been slow and wobbly. Three years ago, for example, dozens of private debating clubs spread across the country. But then tough new licensing rules were enacted, and those who broke them were given exemplary prison terms. All but three clubs have now closed.

Syria is used to having bad relations with its neighbours, but it has never been so isolated as now. After decades of restraint, Israel rocketed a target inside Syria last year, and has lately taken to car-bombing exiled leaders of Hamas, the militant Palestinian Islamist group, in Damascus. To the east is American-occupied Iraq, to the north is Turkey, an American ally, and to the south is Jordan, another one.

Earlier this year America imposed mild trade sanctions, threatening worse unless Syria ended its quarter-century-old military presence in Lebanon and ceased all aid to groups such as Hamas. A UN Security Council resolution repeated the call for Syria to pull out. Meanwhile, America accuses Syria of funnelling funds and recruits to the Iraqi “resistance”.

Syria has bent with the wind, pulling some troops out of Lebanon, and partially muzzling the Palestinian factions headquartered in Damascus. Regarding Iraq, Syria denies everything, though several Syrian mosques were openly sponsoring jihadist tours to Iraq last year.

On the one hand, the Syrian government wants to make America's stay in Iraq uncomfortable. On the other, it does not want to provoke the superpower too much. Recently, it has tightened border controls

and silenced some of the noisier preachers. President Assad has also reiterated his willingness to talk peace with Israel, though Israel rebuffed the overture, insisting that he should first expel Hamas and its ilk.

Domestically, Mr Assad's two main worries are communal strife and a moribund economy. In March Kurds, who resent what they see as the Baathists' Arab chauvinism, torched government buildings and pelted police with stones. Kurdish activists say 7,000 people were jailed. Two hundred remain behind bars.

Some 1m Syrians—nearly 20% of the workforce—are jobless, a figure that is predicted to reach 1.6m by 2010. Oil, which accounts for 70% of exports, is running out. “It is not a question of whether we should change,” says a presidential adviser, “But of whether we manage to lead it, or get swept away by it.”

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Fighting corruption in Kenya

Where graft is merely rampant

Dec 16th 2004 | NAIROBI
From The Economist print edition

If only the president were more vigorous

AP

How firmly in charge is President Kibaki?

MWAI KIBAKI, Kenya's president, is a passionate and handy golfer. But after a series of strokes, he appears to be losing his touch. Teeing off before a group of dignitaries recently, he missed the ball twice and then sent it slicing into the press cameras off the fairway.

Nearly two years ago, Mr Kibaki swept to power promising to curb the corruption that took root under his predecessors, Daniel arap Moi and Jomo Kenyatta, and which has made Kenyans steadily poorer for decades. The worry is that he is now too weak, old and ill to keep his pledge. “He can't even control his swing; how can you expect him to control the cabinet?” groans one of his ministers.

In the first few months after Mr Kibaki took over, officials did indeed behave more honestly. Whereas in 2002, Kenyan policemen demanded bribes during 96.9% of encounters with the public, last year the figure was only 82.1%, according to a survey by Transparency International (TI), a Berlin-based anti-corruption watchdog. And immigration officials improved their score from 94.3% to 89.6%.

In TI's latest league table, corruption in Kenya was found to have improved from “highly acute” to merely “rampant”, prompting local newspapers to demand to know why foreign companies were not flocking back to set up new ventures in Kenya.

The answer is that “rampant” is not quite good enough. Kenya is still one of the most corrupt countries in the world, according to TI. Following the example of Mr Moi's cronies, too many of the new ruling elite are out to get rich, rather than govern. Debates in parliament are often abandoned because of poor attendance. But this has not stopped Kenyan MPs from awarding themselves a whopping average of $169,625 a year in salary and allowances, which mostly do not have to be accounted for.

The average Kenyan income is a more modest $400 a year, and many city-dwellers are feeling poorer thanks to the agriculture minister's efforts to help fellow farmers by using state funds to bid up the wholesale price of maize.

There is nothing illegal about this, but Kenyans who don't grow their own are now paying 50% more for their staple food than they were a year ago, and double the world price, says Robert Shaw, a local economist. Consumer spending is shrinking, and inflation is set to rocket. The economic consequences, says Mr Shaw, could be catastrophic.

New patronage networks are replacing the old ones, as the well-connected appoint their chums and relatives to plum public posts. Besides making government more costly and less effective, this also makes parliament reluctant to privatise dysfunctional state-owned firms. This shackles the economy. For example, Kenyan firms move goods by road because the state-owned railways, though cheaper, invariably deliver late, if at all.

With Mr Kibaki enfeebled, economic and political reforms have stuttered. A new constitution, in the works for seven years, remains on hold. It would curtail the powers of the president and redistribute them more fairly across government. Kenyans, tired of greed and corruption in high places, are largely for it. Kenya's greedy and corrupt government is not.

Is Kenya worse off than it was under Mr Moi? Probably not. Tourism has begun to recover and the government has promised to end the culture of impunity for the powerful. A few minor figures from the old regime have been prosecuted, for example, and on December 10th the government announced that it had started to reclaim millions of hectares of land that were improperly acquired by Mr Moi and his cronies. The land minister, Amos Kimunya, promised a new tribunal to revoke ill-gotten titles and restore land to its rightful owners.

Well and good, but this sounds like ending impunity for the previously powerful. What about the current lot? Serving ministers involved in corruption scandals both new and old have gone unpunished, although some dubious government tenders have been cancelled after they were exposed in the local press.

Some politicians use their office as a shield to allow them to pursue less honourable sidelines. A stash of cocaine has been found in the boot of an assistant minister's car, while other colleagues are said to run narcotics networks in the port city of Mombasa. This week, Kenyan police made their biggest-ever drugs bust, seizing cocaine worth an estimated $65m.

On the plus side, however, Kenyans are no longer as scared of their rulers as they used to be. An MP who allegedly threatened the patrons of a golf club bar with a gun was recently banned from the club, something that would never have happened in the bad old days.

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France

Big Dominique and his struggle against the Islamists

Dec 16th 2004 | PARIS
From The Economist print edition

MaxPPP

The French interior minister makes the case for being tough on Muslim extremists

IN AMERICAN minds, Dominique de Villepin once embodied French pacifist defiance and soft-on-terrorism Old Europe. As foreign minister, he was the most passionate opponent at the United Nations of the use of force in Iraq. So it may surprise many to find that, as France's interior minister, Mr de Villepin (in the middle of the picture above) is now waging a hardline battle on terror in France, with zero tolerance of radical Islam.

Liberal multiculturalists have long said that secular France is too intolerant to religious minorities, especially its 5m Muslims (the biggest Muslim population in Europe). It is accused of being too rigid in denying religious freedoms in public institutions, and too suspicious of goings-on in mosques. The French ban on the headscarf in state schools was widely condemned in America, Britain and the Netherlands. But since the grisly murder last month of Theo van Gogh, a Dutch film director, more Europeans have asked if there might be a link between laisser-faire multiculturalism and the radicalisation of Muslims. Could excessive tolerance be making it too easy for extremist Islam to organise?

Although he is careful not to criticise multiculturalism in the rest of Europe, Mr de Villepin is unapologetic about France's tough regime. “Terrorists are opportunists,” he says, sitting in his office beside a bust of Napoleon. “They strike where it is easiest.” In his view, Muslim extremism requires good policing and robust laws, but also a strategy. “We need a strong policy to combat radical Islam. It is used as a breeding-ground for terrorism. We cannot afford not to watch them very closely.”

There are two elements to Mr de Villepin's approach. The first is a rigid, even repressive, intolerance of incitement to violence. When he tried to expel Abdelkader Bouziane, an Algerian cleric in Lyons, who advocated the stoning of women, the decision was overturned by the courts. So Mr de Villepin changed the law—and the imam was on the next plane home. Religious-hatred laws were also behind this week's court decision to ban al-Manar, a Lebanese satellite-television station close to Hizbullah, Lebanon's Iranian-inspired “Party of God”.

To help his campaign, Mr de Villepin has an intelligence network, with Arabic expertise and a legal arsenal, that long predates September 11th 2001. France has two domestic intelligence agencies: the Renseignements Généraux, an intelligence-gathering service, and the Direction de la Surveillance du

Territoire, a counter-intelligence agency. Agents keep a close eye on prayer places in France, which number 1,685, according to the RG. Of these, about 50 are considered “radical”. Mr Bouziane had long been tracked. Mr de Villepin is now setting up special cells around the country to monitor fast-food joints, halal butchers, specialist bookshops and telephone call-centres, any of which might be fronts or recruitment points. A pilot effort in Paris has led to the expulsion of 14 extremists, including seven imams.

The French criminal-justice system makes a crackdown easy. Terrorist suspects can be held for 96 hours without charge. Under a 1996 law, they can be detained by a judge for “association with wrongdoers involved in a terrorist enterprise”: this covers not just conspirators, but those in their circle. Since January 2004, several members of the Benchellali family have been held on such charges, linked to plans for a chemical bomb. All four French suspects released from Guantánamo Bay, one of them a Benchellali, were detained on their return home. “We have a particularly repressive criminal-justice regime,” deplores one of their lawyers. As many as 35% of prisoners in France are in “provisional detention” awaiting trial, a process that can take years.

In other countries, this might be a subject for liberal hand-wringing. But the detention of the Guantánamo Bay four provoked little comment in France. Most people in France see it as a price to pay to protect liberal society. “We must never find ourselves in a position of powerlessness,” insists Mr de Villepin. “Democratic governments must ensure order, as this is the guarantee of our freedoms.” Far from prompting debate on the balance between civil liberties and security, Mr de Villepin's approach has been applauded—and his popularity has risen, encouraging those who see him as the next prime minister.

The second part of Mr de Villepin's struggle is one that *Libération*, a left-leaning newspaper, calls “drowning the beards”. His predecessor as interior minister, Nicolas Sarkozy, argued that radical Islam was best tamed by co-option. But Mr de Villepin wants to dilute this by promoting moderates. Mr Sarkozy created the French Council of the Muslim Faith, an official body now dominated by hardliners. Mr de Villepin prefers a “Muslim foundation”, in which mosque-based representatives are balanced by secular or moderate Muslims. Since less than 10% of French Muslims are practising, he argues, their representatives should reflect this. His foundation would aim to bring openness to the financing of mosques, much of which comes from Arabs abroad.

Mr de Villepin, a romantic neo-Gaullist, biographer of Napoleon and poetic defender of his country's *gloire*, is also keen to reaffirm French values. To this end, he wants France to train imams. Of the country's 1,200 or so Muslim clerics, he says, three-quarters are not French, and a third do not even speak French. From next September he plans to offer courses to imams in theology and “secularism”: law, civics and French institutions, as well as the French language. And Mr de Villepin hopes to supply more Muslim chaplains to prisons. It is illegal to collect official figures on religion in France, but it is reckoned that a majority of the country's prison population is Muslim. Recruitment to radical Islam behind bars is a growing worry.

Plenty of questions about these plans remain. Why would foreign financiers, from Saudi Arabia or elsewhere, pay cheques via a foundation? Since courses for imams cannot be compulsory, what is the incentive for them to learn about France's republican code? Given the popularity of Arabic classes at mosques, would imams want to learn French?

Nor does it follow that countries that favour multiculturalism, such as Britain, cannot also support rigorous policing and counter-intelligence work against radical Islam. France may have less compunction about asserting its values, but the trade-off between security and liberty is still a challenge. Yet at a time when all of Europe is grappling with Islamic radicalism, Mr de Villepin's approach will be studied with interest—even, perhaps, in America.

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Turks in Germany

A Turkish heimat

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From The Economist print edition

Why Turks in Germany are eager to see Turkey in the European Union

IF, AS expected, this week's European Union summit agrees to start EU accession talks with Turkey, German parliamentarians may be treated to a strange sight: Lale Akgün, one of only two Turkish-born members of the Bundestag, has pledged to dance with wild abandon. This decision matters as much to the 2.6m Turks living in Germany, the largest Turkish minority inside the EU, as to their 70m-odd countrymen at home. If Europe says yes, “there will be a collective sigh of relief”, says Ms Akgün, a Social Democrat, “because it means that we have finally been accepted.”

Although most Turkish immigrants have found a place in society, many still live a life apart. Unemployment among German Turks is around 20%, twice the national average. Children of Turkish immigrants are more likely to fail in school. The second generation shows more pessimism and self-doubt than native Germans. A growing number of German Turks are withdrawing into “parallel societies”: communities with their own shops, media and entertainment, and few links to German society.

Yet one can see this glass as half-full. Most Turks in Germany came from rural Anatolia; they were challenged not just to meld into a Christian culture, but into an industrial one. And Germans did not exactly welcome them. When the first Turks arrived in the early 1960s, they were *Gastarbeiter*, or guest workers, expected to return home. Only recently has a new immigration law with measures to ease integration taken effect—accepting, for the first time, that Germany is an immigration country.

There are also signs of improvement. The number of married couples in which one partner is Turkish has more than doubled since 1996, to 112,000 last year. Some 57,000 Turkish-owned firms in Germany now generate €26 billion ($35 billion) in revenues, and employ more than 300,000 people, according to the Centre for Turkish Studies (ZfT), a research institute. The image of Turks is meanwhile changing. Germans have traditionally seen them as tired and dirty workers or as jostling women wearing headscarves. But a new award-winning film, “Head On”, has shown Germans that Turks can be complex and even sexy. Slowly but surely, Turkish-born Germans are moving up the political ladder—one has just been elected a member of the Christian Democratic Union (CDU) board.

Yet Turks in Germany still feel edgy. The CDU's vocal hostility to full EU membership for Turkey has been taken by many German Turks as proof that they are not really wanted, says Faruk Sen, the ZfT's director. Yet once talks get under way, German Turks also bear a responsibility: to show more willingness to integrate and to distance themselves from radical Islam. A recent 25,000-strong anti-fundamentalism rally in Cologne was a good first step.

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Turkey's prime minister

The enigmatic Mr Erdogan

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Europeans struggle to understand the character of Turkey's leader

RECEP TAYYIP ERDOGAN was the only pupil to volunteer when his primary-school headmaster called on students to pray one day. But when he was told to prostrate himself over a newspaper on the floor, the boy refused, for it was covered with racy pictures. Duly chastened, his headmaster produced a tablecloth instead.

Like so many tales from the Turkish prime minister's youth, this incident highlights both his devotion to Islam and his leadership instinct. Much has been written about Mr Erdogan's rise from a poor, pious family in Turkey's Black Sea region, through his footballing days to his stint as mayor of Istanbul. The tale of his transformation from a militant who was once imprisoned for reading an Islamist poem in public into a conservative democrat, as he now labels himself, is also well-known. Yet to many fellow European heads of government, this 50-year-old son of a sea captain, who speaks no foreign languages, remains something of an enigma.

As the European Union prepares for what will surely be the hardest membership talks it has ever held, some in Brussels worry that Mr Erdogan may yet seek to steer Turkey away from its traditional secularism. Many more want to know how attuned Mr Erdogan is to European thinking—and how long he will stay.

The answer to this last question is: a long time. Mr Erdogan and his Justice and Development Party are supported by over half of all Turks, according to recent polls. The only opposition party represented in parliament, the leftish Republican People's Party, is mired in internal squabbles. The notoriously corrupt, secular right-wing parties are in disarray. The biggest threat to Mr Erdogan might once have come from the generals, but as Turkey moves closer to Europe their powers are being trimmed. Most pundits reckon that Mr Erdogan will easily win the elections that are due in 2007.

Yet Mr Erdogan has grander ambitions. Members of his circle whisper that he would like to become president, but only if he were armed with real power. A consummate strategist, Mr Erdogan apparently plans to get parliament, where his party commands a firm majority, to nominate a party member to replace the incumbent, Ahmet Necdet Sezer, when his term expires in 2007. Mr Erdogan would then push through parliament constitutional changes to make the presidency more powerful; and, finally, would catapult himself into the presidential palace.

This scenario alarms secular Turks, who fear that Mr Erdogan might use his muscle to expand the role of religion in public life. The real worry should be that more power could encourage his authoritarian streak. Even today only a handful of his advisers, among them Cuneyd Zapsu, a wealthy businessman, and Omer Celik, his youthful speech-writer, dare to disagree openly with Mr Erdogan. He can be hot-tempered and blunt. He once upbraided a journalist for having alcohol on his breath. He can be patronising to women. Recently he told farmers who clamoured for subsidies that “the nation does not have to keep working just to feed you.” He can also be unpredictable, as when he unexpectedly sought to criminalise adultery in September, sending shockwaves through the EU.

Friends paint a somewhat different picture, of a humorous and warm man, utterly loyal to his friends, who adores children and is influenced by his wife. It is also a picture of a politician whose ambition and willingness to take risks are tempered by pragmatism. “Yes, his first reaction is anger when you contradict him,” says one. “But he'll think things over and if he concludes that you are right, he'll tell you so the next day.” That is how the adultery crisis was defused. European leaders warned Mr Erdogan of the consequences and he backed down. “He likes to be told the truth,” says one European ambassador who has spent time with the prime minister. If, Allah willing, negotiations with the EU start next year, Mr

Erdogan and the Turkish people should be getting plenty of that.

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Romania's presidential election

Another orange win

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An unexpected victory for the opposition candidate

Reuters

INEXPERIENCED as they may be in the ways of democracy, Romania's voters seem keen to explore it to the full. Two weeks ago they elected a parliament without a clear majority. This week they voted Traian Basescu, a plain-spoken former sea captain who has been mayor of Bucharest since 2000, into the presidency. He will try to put together a centre-right government in place of the outgoing socialist one. If he fails, he may have to settle for cohabitation, or even call early elections.

Mr Basescu lagged well behind Adrian Nastase, Romania's outgoing prime minister, in a first round of voting on November 28th. But he narrowly won the run-off on December 12th, thanks to a strong showing in a televised debate, to public anger at alleged ballot-rigging by the socialists, and perhaps to the Ukraine effect (Mr Basescu's colour is orange). Mr Basescu joined Romania's outgoing president, Ion Iliescu, at this week's European Union summit, which the Romanians hope will approve plans to sign a treaty next spring that lets them join the EU in 2007.

Mr Basescu had talked of renegotiating some of Romania's terms of entry, including promises to cut steel output and raise energy prices. But he will be told in Brussels that Romania already has its work cut out preparing for entry in 2007, without wasting time on fresh grumbles. The EU still reserves the right to delay Romania's (and Bulgaria's) accession by a year, until 2008, if either backslides. And it has given Romania a daunting catalogue of improvements needed in government and public services both before and after entry. The biggest doubts concern the competence and independence of Romania's judiciary. A stable government would be a big help at such a time: but the omens do not look good.

Mr Nastase seemed this week to be trying to stay on as prime minister, since his socialist party still has (just) the most seats in the lower house of parliament. But the socialists are demoralised and divided, and Mr Basescu wants a government led by his own two-party coalition, the Justice and Truth Alliance. Out of office, Mr Nastase's future may be bleak. Control of his party will probably revert, after a struggle, to Mr Iliescu, its historic leader.

If Mr Basescu sticks with his plan to appoint a prime minister from Justice and Truth, the new government may have to rely for a majority on two smaller parties, the UDMR and the Humanists, both previously allied with the socialists, and also on most of the 18 independent members. Even then, it would be vulnerable to defections, especially if the socialists could count on tacit support in opposition from the far-right Greater Romania Party.

Whatever the shape of the eventual coalition, it is hard to foresee a government that lasts a full four-year

term. If so, the EU should try to be understanding. It is not that Romania is unstable. It is that democracy is starting to work there, as communist habits recede. Mr Basescu is an advance over Mr Iliescu, and the socialists deserved a reverse. Changes such as this week's should be welcomed.

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Italy's prime minister

Slippery Silvio

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The courts let Silvio Berlusconi off, but convict one of his closest associates

THERE is no point debating if the prime minister of Italy might have bribed judges. But the party he leads was created by a friend who was in league with the Sicilian Mafia. That, in its shocking essence, is what two Italian courts decided last weekend. They were giving two separate judgments, one on Silvio Berlusconi and the other on Marcello Dell'Utri, once head of Publitalia, the cash generator in Mr Berlusconi's media empire, and the man who conjured up his party, Forza Italia, in 1994.

The verdict on Mr Berlusconi lifted the only big legal threat still hanging over him. He was charged with offences allegedly committed before he entered politics. One was the alleged bribing of judges to secure favourable decisions in cases over a disputed state asset sale in 1985. Three judges in Milan acquitted Mr Berlusconi of this because there was insufficient proof. But another charge was more perilous from Mr Berlusconi's standpoint.

The court heard that, in 1991, his lawyer and close friend, Cesare Previti, received $434,404 from Fininvest, the company at the apex of Mr Berlusconi's business empire; and that Mr Previti then sent the same amount to a Rome judge via Swiss bank accounts. Another Milan court decided last year that this payment was a bribe, and sentenced Mr Previti to five years and the judge to eight. The prosecutors argued that Mr Berlusconi must have known about the payment.

The Milan judges decided that, even if Mr Berlusconi had committed this offence, the statute of limitations should apply. Normally, such a statute, which extinguishes the crime, kicks in after 15 years. But in Italy's legal system, judges have discretion to reduce the period if they find mitigating circumstances; and in the prime minister's case, they found them. This meant the mandatory application of a statute of limitations after ten years. As the bribe was paid in 1991, Mr Berlusconi was off the hook.

Just what mitigating circumstances the judges found will not be known until they file the reasoning behind their verdict. This is the second time that Mr Berlusconi has benefited from a statute of limitations in a judge-bribing case. He avoided indictment in 2001 because the judges in another judge-bribing case also found extenuating factors. One of these was that Mr Berlusconi was then leader of the opposition. Last year, Mr Previti was convicted in this case and sentenced to 11 years in jail.

But help is at hand for Mr Previti. A new bill will make the statute of limitations apply more quickly to a range of crimes, including judge-bribing. Mr Previti, who has appealed against his convictions, looks set to be a big beneficiary.

Mr Berlusconi and his supporters were predictably jubilant when the verdict came on December 10th. But their celebrations were short-lived, for the next day a court in Palermo brought in a verdict on Mr Dell'Utri that sent them reeling. He was found guilty of aiding and abetting the Mafia, given nine years in jail and banned from holding public office. Mr Dell'Utri is sure to appeal against his conviction. But if he is found guilty in the second of two levels of appeal, and if a statute of limitations does not apply, he will be jailed.

The thrust of the prosecution's case was that Mr Dell'Utri was the Mafia's “liaison officer” with Milan's business world. The implications are hair-raising. Apart from a spell in the late 1970s, Mr Dell'Utri has been at Mr Berlusconi's side since 1974. He is one of his closest friends; Mr Berlusconi even telephoned him to express support after the verdict. Mr Dell'Utri will have had ample opportunity to influence Mr Berlusconi's business strategy and political approach.

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Denmark

Send back your huddled masses

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A tough anti-foreigner stance pays political dividends

DENMARK'S prime minister, Anders Fogh Rasmussen, has reason for cheer this Christmas. The economy is strong, unemployment low, his popularity high—and polls point to a victory in the next election. A recent one gave Mr Fogh Rasmussen 51.4%, against 29.9% for Mogens Lykketoft, the opposition Social Democrats' leader.

Mr Fogh Rasmussen's popularity owes much to voters' biggest worry: foreigners. His centre-right government swept to power three years ago on a promise to curb immigrants and asylum-seekers. A study by Oslo's Institute for Social Research shows that Denmark's share of asylum applications in the Scandinavian countries duly fell, from 31% in 2000 to 9% in 2003. Sweden's rose from 41% to 60%, and Norway's from 28% to 31%. This shift has raised eyebrows, particularly in Sweden, where the Social Democrat-led government has castigated Denmark's new regime and accused the government of undermining Scandinavian solidarity. The Danish laws have also been attacked by the UN's High Commissioner for Refugees (UNHCR) and by the Council of Europe's human-rights commissioner.

Yet several recent initiatives suggest that Mr Fogh Rasmussen is set on keeping the firm-on-foreigners pot boiling. Pia Kjaersgaard's Danish People's Party, the government's anti-immigrant ally, traded its votes for the 2005 budget against a new deal to expedite the repatriation of failed asylum-seekers. Another plan is to let the government choose its annual UN quota for refugees of around 500 on the basis of “integration potential”—so that educated young men with foreign languages would be preferred to the old and illiterate. This horrifies the UNHCR, which says refugees in its camps tend to be the weakest and most vulnerable and should not be judged by their earning potential.

Mr Fogh Rasmussen must hold an election by November 2005. Strong voter approval, a giveaway budget and a fresh clampdown on foreigners suggest that he may call it as soon as next month. The weakness of the opposition supports an early date. Mr Lykketoft is uncharismatic; and he too is talking tough on foreigners, causing rows with Marianne Jelved, leader of the Social Liberals, his likely coalition partner if he ever won power. The pair have patched up the quarrel but their disarray still works to Mr Fogh Rasmussen's benefit.

When asked to name areas where he had successfully altered attitudes during his tenure, the prime minister has no doubt. “I would think that 80-85% of the population backs the government's policy on foreigners,” he says. Illiberalism, it seems, can pay.

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Charlemagne

The European dreamers

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A new outbreak of optimism about the European Union—from across the Atlantic, no less

EUROPEAN officials visiting America sometimes get the uneasy feeling that they are seen as the emissaries of a dying culture. From the other side of the Atlantic, Europe can seem a grim old place. Writing in the *Weekly Standard*, the house journal of American neo-conservatism, Gerard Baker (a Briton) opined recently that Europe is "sliding steadily into an ugly maelstrom of intolerance, fear and hatred." At a recent Brookings Institution seminar, Walter Russell Mead (an American) even asked "does Europe have the biological and the cultural will to live?"

But what is this? A new spate of books is coming forth in America that swings to the opposite extreme. Europe is not washed up after all; on the contrary, it is an emerging colossus. "The United States of Europe" (Penguin) by T.R. Reid, a *Washington Post* journalist, is subtitled "The new superpower and the end of American supremacy". According to Mr Reid, "the European Unionhas more people, more wealth and more trade than the United States—and more influence in almost every international body." Meanwhile in "The European Dream" (Polity), Jeremy Rifkin, a Washington seer, proclaims that the EU also has the edge on ideas. "While the American spirit is tiring and languishing in the past, a new European Dream is being born. It is a dream far better suited to the next stage of the human journey."

One explanation for this new strand of opinion doubtless lies in the grim realities of modern publishing. A willingness grossly to overstate your case can help to secure that all-important cover story or book deal. But there is also a clear ideological split. American conservatives tend to be receptive to the idea that Europeans are a bunch of duplicitous, atheistic wimps, whose moral laxity is leading them to an inevitable and richly deserved doom (Mr Baker's line). American liberals, on the other hand, are inclined to see the old continent as a delightful land of leisure (Mr Rifkin), or an advertisement for the virtues of socialised medicine (Mr Reid, a former London correspondent).

Mr Reid's moment of revelation appears to have come when EU regulators blocked a merger between two big American companies, General Electric and Honeywell. That Jack Welch, America's most celebrated businessman, could be bested by Mario Monti, a bespectacled Italian professor, set the author off in search of other signs of emerging European power. He soon made the amazing discovery that, because Americans need access to the EU market, they sometimes have to follow EU rules. It is for this reason that "the quintessential American whiskey, Kentucky bourbon, is sold today in 75cl bottles."

Mr Reid returns to this fact almost obsessively, although he cites more far-reaching examples too. The United States had to change its corporate-tax code after the EU brought a successful case before the World Trade Organisation. This provoked a memorable comment from Dennis Hastert, the Republican speaker of the House of Representatives: "We fought a revolution 230 years ago to stop Europeans from telling us how we have to tax in this country, and it puts the hair up on the back of my neck that we have to do this at all. But we have to do it."

Whether all this is evidence of the emergence of a European superpower, or just part of the broader process of globalisation, is questionable. Mr Reid dwells at length on the number of famous American brands that are now owned by European firms. But it is just as easy to name European companies that are owned by Americans, or to cite examples of Europe having to adapt to American regulation.

Mr Reid at least has the virtue of being concise, folksy and anecdotal. Mr Rifkin, by contrast, is theoretical, pretentious and long-winded. A self-confessed former hippy, he argues that "it is in Europe where the feelings of the sixties generation have given rise to a bold new experiment in living". On several occasions, he asserts that Europeans spend a lot of time involved in something called "deep play", which appears to be an alternative to hard work. Visiting Europe, he is delighted by a continent in

which everybody is nicely dressed, while on returning to the United States, he notes that “it seems everyone is grossly overweight”. The moral of the Rifkin story is that America is hooked on overwork and excessive consumption, while the Europeans have their lives in balance—and are nicer to animals to boot.

Back at the Brussels grindstone

Eurocrats are understandably flattered by this unusual American praise for the grand European project; Mr Rifkin's book has gone down well in Brussels. But the mood of real “builders of Europe” is often decidedly more pessimistic. This week European leaders are likely to take a big step towards admitting Turkey to the EU, a decision about which many of them have deep misgivings. Mr Reid's argument that there is an inexorable historical logic driving forward European unity is often made by Brussels federalists too. But these same people are also well aware of the fragility of a process of political integration that has very shallow popular support.

Then there is the economy. Europe's economic growth continues to lag that of the United States, let alone China and India. And Europe's population is ageing and shrinking. Two-thirds of the way into his book, Mr Rifkin interrupts his dream to note that “the sad truth is that without a massive increase in non-EU immigration in the next several decades, Europe is likely to wither and die.” This looks like a fairly big qualification to the book's general mood of sunny optimism. But no matter: within a few pages we are back to the “politics of empathy”.

Awareness of the depth of the political and economic challenges that lie ahead accounts for the fact that many European officials are more inclined to troubled pessimism than to Rifkinesque optimism. This European willingness to be self-critical is, as it happens, a genuine strength. Unfortunately, there is a lot to be self-critical about.

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Politics

The tragedy of David Blunkett

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The home secretary's departure is unlikely to have much political fallout

THIS was, above all, a personal tragedy. Only the hardest hearts would have been left unstirred by the sight of David Blunkett, Britain's blind-from-birth home secretary, as he announced his resignation on December 15th. Mr Blunkett, one of the toughest eggs in government, looked broken as he described tearfully the “anguish” of the past few weeks—“the worst of my life”— and his determination to play a part in the life of the child he claims to have fathered during a three-year affair with Kimberley Quinn, the married publisher of the *Spectator* magazine.

It was not the affair itself which led to Mr Blunkett's resignation, but its bitter aftermath. When the relationship ended last summer, Mr Blunkett embarked upon a legal campaign to gain access to Mrs Quinn's two-year-old son and another child, as yet unborn. Mrs Quinn's reaction was to provide details to a Sunday newspaper of the ways in which Mr Blunkett's professional life had become entangled in their affair. The gravest charge was that he had “fast-tracked” a visa application for a nanny: the British have lost their primness about sex, but they still hate a queue-jumper.

Mr Blunkett's first reaction was to claim he had done nothing wrong. He asked the Home Office's top civil servant to set up an inquiry. Although the inquiry, headed by Sir Alan Budd, an economist, is yet to be completed, evidence it has unearthed made Mr Blunkett's position untenable. The application, which he at first claimed to have checked only for errors, had been passed through his private office. Sir Alan uncovered an e-mail to his office saying the application had been processed “slightly quicker” than usual, but “no favours”.

Nobody is yet suggesting that Mr Blunkett lied, but he realised that he could not survive Sir Alan's findings, expected next week. Support for him among colleagues had anyway been ebbing fast. With atrocious timing, extracts from a forthcoming biography appeared last week in which Mr Blunkett spoke with lethal (for him) candour about other ministers.

The comments, which were recorded a year ago, drained sympathy for Mr Blunkett's predicament and admiration for his achievement in overcoming his handicap. The reckless arrogance of his remarks called into question his judgment. But, more importantly, politics is a personal business and Mr Blunkett had insulted people whose support he needed.

Mr Blunkett's departure is a great loss to the government. Although his authoritarian streak made him enemies among human-rights lobbyists and liberals in all parties including his own, his working-class authenticity, straight talking and determination to take the side of the victims of crime and anti-social behaviour made him valuable. But his going will neither change the direction of the tough crime and immigration policies he was associated with, nor will it, at least in the short term, have wider electoral consequences.

Mr Blunkett's successor at the Home Office, Charles Clarke, is as robust and self-confident a performer as Mr Blunkett. Unlike some cabinet members, he is also a strong supporter of Mr Blunkett's most controversial initiative, the introduction of identity cards. Mr Clarke, who was education secretary until his promotion this week, is accustomed to piloting controversial legislation through Parliament. Against the odds, he succeeded in pushing through the government's policy on university tuition fees earlier this year. Like Mr Blunkett, Mr Clarke enjoys an occasionally belligerent relationship with the chancellor, Gordon Brown, and sees himself as a rival for the leadership when Tony Blair packs his bags in a few years' time.

Mr Clarke is succeeded at the education department by Ruth Kelly, a mother of four young children who

is the fastest-rising of Labour ministers under 40 years old. It will be a severe test for Ms Kelly. Secondary education is still in an unsatisfactory state, the examination system is about to undergo further upheaval and no department has to deal with a more conservative and obstructive professional establishment.

As for Mr Blunkett, he is now free to pursue his fight for access to the children he believes are his. His chances of returning to frontline politics after the election are helped by the very high regard in which Mr Blair still holds him; but they also depend on whether Sir Alan turns up any more damning evidence.

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Regulating the professions

Taking care of their own

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Why it is so difficult to regulate lawyers and doctors

ASKING a businessman to reform the legal profession is like encouraging a dog to herd salmon: he will be out of his element and liable to get soaked. Sir David Clementi, chairman of Prudential, an insurance company, makes some bold proposals in a report published on December 15th, but the lawyers are having none of it. “David Clementi has never really understood what we do,” says Stephen Irwin, chairman of the Bar Council. “He comes from a different world.”

Law is certainly an odd industry, and its practitioners would like to keep it that way. Collectively, they regulate entry to the trade and can prevent non-lawyers even from investing in the business. They concoct elaborate rules (barristers are not allowed to tout their success rates, for example) and enforce them. Outfits like the Bar Council and the Law Society, which represents solicitors, hear complaints against their own members while also defending the profession against criticism. They might not run almshouses or put on mystery plays, but in other ways they carry on much like medieval guilds.

To Sir David, these peculiarities do not make the law into something grander than a business; they just make it a badly run, anti-competitive business. Complaints are poorly handled, particularly by solicitors, who receive 16,000 a year. Sir David persists in the view—a perverse one, as far as some in the legal profession are concerned—that lawyers exist mostly to sell services to consumers, and that they don't do so very well.

Several things need to change, Sir David believes. Rule-makers need to be separated from advocates for the profession. Complaints must be heard by an independent body. Lawyers should be free to set up shop both with outside investors and with other species of lawyer, so that barristers could form partnerships with solicitors, for example. To manage change, and to ensure that lawyers do not find new ways to restrict competition, a Legal Services Board should be set up.

These suggestions are not much different from reforms enacted in Australia, which suggests that practical obstacles can be overcome. Dealing with the Bar Council's many objections will be trickier—nobody argues like a barrister—but it helps that consumer associations are on side. So are many solicitors. Janet Paraskeva, the Law Society's chief executive, welcomes the prospect of outside investment and even concedes that lawyers' precious professionalism does not mean they must pretend not to be running businesses.

But even if Sir David's proposals are enacted, will the legal profession become much more consumer-oriented? The experience of the medical profession suggests not. Doctors adopted similar reforms long ago (they have had a separate regulator since 1858). But doctors remain famously poor at rooting out bad apples. Bob Sang, a long-time patients' advocate, believes the problem is deep-rooted: “There's been no fundamental challenge to professional self-regulation.” Nor does Sir David bring such a challenge.

Allowing doctors and lawyers to look after their own, albeit with some oversight, has advantages. The main one is that they know their stuff: educating outsiders to a level sufficient to second-guess the experts would take lots of time and money. There is also a kind of consensus that comes from self-interest. If a group of like-minded people develop and enforce their own rules, they are likely to believe in them, which means they will keep them in mind even when the door is closed.

The problem is that these outfits are, in effect, monopolies. Barristers cannot opt out of Bar Council control and choose another regulator instead. Because there is no competition, there is little incentive to drive up standards other than the desire to escape further interference from government. And codes of

conduct are always liable to morph into trade-union rulebooks.

So reforming the professions is likely to remain a grinding, thankless task, subject to endless carping and obstruction from practitioners. “And the peculiar thing is,” says Mr Sang, “these are all good, well-intentioned, honourable folk.”

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About sponsorship

Cornish

The Grand Bard goes online

Dec 16th 2004
From The Economist print edition

Lisa Simpson adopts Britain's tiniest language

EVEN by British standards of eccentricity, reviving Cornish, which died out in the 19th century, counts as an odd cause. But not, quite, a lost one. On Christmas Day one of the modern world's best-known fictional characters, Lisa Simpson, will add her support, shouting "*Rydhsys rag Kernow lemmyn!*" (Freedom for Cornwall now!) in a special Britain-only edition of the American cartoon series.

She's not alone. Sherlock Holmes, the fictional detective, was fascinated by the language, believing (wrongly) that it was a legacy of Phoenician tin-traders. And in the real world, Rowan Williams, the Archbishop of Canterbury, preached a sermon in Truro cathedral last month peppered with Cornish phrases, praising its "dignity and romance", and launching a Cornish-language New Testament.

Cornish is indubitably the weakest of the surviving Celtic tongues, with only a few hundred fluent speakers. Manx, in the Isle of Man, has been revived more successfully, and many thousands speak the ancient languages of Ireland, Scotland, Brittany and—above all—Wales.

It is also plagued by squabbles, particularly among the academics specialising in Cornish. There are four rival versions of the written language, each with differing degrees of authenticity, ease of use, and linguistic consistency.

But Cornish is growing. When Henry Jenner started reviving it in 1896 he and his wife were the only people to speak it fluently. There are so many now, says Maureen Pierce, of the Cornish Language Board, a semi-official body which organises proficiency exams, that "we don't all know each other". That's partly because an increasing number are overseas. One teacher in Australia, which has an active Cornish diaspora, boasts a class of 15 students. The internet has helped, making BBC Radio Cornwall's weekly five-minute Cornish-language news bulletin, read by the current Grand Bard and (when he's on holiday) his deputy bard, available online.

Cornish is still more hobby than culture, although a few dedicated families have raised their children as native Cornish-speakers. There are the beginnings of official recognition from both the European Union (EU) and Whitehall. That has prompted the county council to create an official policy to use Cornish "where practicable". But where's the fun in that?

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Jarvis

Risk and reward

Dec 16th 2004
From The Economist print edition

A famously bad PFI contractor is going bust. So the system's working

CRITICS of the Private Finance Initiative (PFI), in which companies build and run bits of the public sector, have a one-word argument to denounce the whole idea: “Jarvis”. In the past, that company's reputation for incompetence and profiteering epitomised worries about the PFI: that it was an expensive deal for the taxpayer, and a bad one for the users. Now that Jarvis is virtually bust, kept going by banks that fear the hassle of taking on its contracts, critics argue that its troubles will lead to deteriorating public services.

But Jarvis's downfall can more easily be read as evidence that the PFI is working. The whole point of it is to transfer risk. When civil servants make mistakes, taxpayers suffer, but the bills for Jarvis's managers' dreadfully cock-eyed forecasts of costs and revenues have mainly gone elsewhere. Its shareholders have lost almost all their money (see chart) and its banks stand to lose plenty too.

The company is scrambling to raise money. It has sold its most valuable remaining asset, a one-third stake in the Tube Lines infrastructure consortium that runs much of London's underground, for just over £100m ($190m) to Star Capital, a specialist investor in the flourishing secondary market in PFI contracts.

Critics of PFI have worried about what happens when the contracting company goes bust. Again, Jarvis shows that the market works: some contracts have been sold on; in nine nearly completed ones its partners and backers are trying to raise the £100m needed to finish the job. If not, they face big penalty clauses.

If Jarvis was one of many troubled PFI contractors, that would also be a bad sign: that the government was a hopeless customer, perhaps. But that's not happening either. Of the three companies in the PFI business to have suffered serious wobbles, Jarvis is the only one that looks doomed. Amey, which botched its accounts and also wildly overestimated the likely revenues of the Croydon tram system it was building in south London, was bought by a Spanish construction company in 2003. The third company, WS Atkins, has recovered spectacularly (see chart) thanks to better management.

In fact, PFI is working reasonably well on most fronts. A 2003 study by the Treasury of 61 projects found that 89% were delivered on time or early. The National Audit Office, a spending watchdog, says 80% of the projects it studied came in on budget, whereas in projects paid for the conventional way only 17% did.

The big remaining criticism of PFI is that it is expensive: the extra cost of private-sector borrowing may outweigh the benefits. But even that may change as a deeper and more liquid secondary market develops. Outside finance is typically sought once building work is completed (after which the risk falls). The original investor can then recycle its money into new projects. But selling second-hand contracts piecemeal has proved time-consuming and costly. The new idea is to bundle them, creating an asset class that interests a wider range of investors.

It seems to be happening. Around £700m-worth of PFI projects have been sold on, mostly in the past two years. Assuming that the government does not try to claw back the profits made on such sales, the

market should continue to grow. That will in turn cut the cost of borrowing for primary PFI, which will become “significantly cheaper”, according to Tony Mallin of Star Capital. That would mean a better deal for taxpayers, and one that even the most diehard opponents of PFI will find it hard to quibble with.

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Law lords

A blow for democracy

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Indefinite detention of terrorist suspects is unlawful

IN A blow to both the government's anti-terrorist policies and its moral standing, the House of Lords, Britain's highest court, ruled on December 16th that the indefinite detention of terrorist suspects without trial is unlawful. The government will now have to decide whether to charge or release the 11 foreigners, all north African Muslims, held for up to three years, most of them in Belmarsh maximum security jail in south London.

Under the Anti-Terrorism, Crime and Security Act, passed in the wake of the September 11th attacks on the United States, the government gave itself the power to detain any foreigner who poses “a risk to national security, and has links with an international terrorist group”. This required it to opt out of Article 5 of the European Convention on Human Rights enshrining the right to liberty. No other European nation has done so.

The European convention allows member states to opt out of Article 5 in cases of “war or public emergency threatening the life of the nation”, and if the measures adopted are “strictly required by the exigencies of the situation”. Claiming that the 2001 attacks constituted an “unprecedented form of terrorism”, the government argued that the measures it had introduced were a “necessary and proportionate response to the threat we continue to face”.

The law lords disagree. Sitting for only the second time since the second world war in a panel of nine justices, instead of the normal five, they ruled, by eight to one, that the “draconian” measures were incompatible with human-rights laws. Lord Nicholls said, “Indefinite imprisonment without charge or trial is anathema in any country which observes the rule of law. It deprives the detained person of the protection a criminal trial is intended to afford.” Lord Bingham said the measures discriminated “on the ground of nationality or immigration status”. The government must pay the costs of the appeal.

The government now has to decide what to do. It has always said that the evidence against these men is too sketchy or too sensitive to reveal in open court. It must therefore either devise a way of trying the detainees—perhaps in a special court—or release people it believes to be a threat to national security. That's a tough decision for the new and untested home secretary, Charles Clarke.

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Bagehot

The Tories' last, best hope

Dec 16th 2004
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Rather late in the day, the shadow chancellor, Oliver Letwin, is promising tax cuts

IT HAS taken them an awfully long time to get there, but the Tories have finally realised that they must go into the next election as a party determined to cut taxes. After months of shilly-shallying, last weekend Oliver Letwin, the Conservative shadow chancellor, declared that he would issue a “cast-iron” guarantee to reduce taxes within a month of a Tory government taking power. If he failed to do so, Mr Letwin added for good measure, he would quit.

There is little danger that Mr Letwin will be in a position to make good this promise. His party is well behind in the polls and his own West Dorset seat is vulnerable to the merest hint of a swing to the Liberal Democrats. But it is nonetheless important. A commitment to cut tax is the one policy, other than Europhobia, that New Labour cannot filch from the Tories. Tony Blair blithely whistles all the other traditional Tory tunes—on crime, immigration, defence—but even he can no longer keep up the pretence that this is not a tax-and-spend government.

Steady economic growth, the insidious effects of fiscal drag and the ceaseless inventiveness of the Treasury have dulled the political impact of rising taxes. But most people are now well aware of what the government has been up to. Mr Letwin says that on the basis of Inland Revenue figures, the average household is paying £2,300 ($4,436) a year more in ordinary taxes under Labour and another £1,200 a year taken in the form of national insurance.

A YouGov poll, commissioned by this newspaper three months ago, found that 64% reckoned their tax bill had gone up since Labour came to power. This month, a Populus poll in the *Times* indicated that 71% expect their taxes to rise if Labour is re-elected—though, irritatingly for the Tories, 48% thought that taxes would also go up under a Conservative government.

The Tories' reluctance to promise tax cuts until now has been understandable. They are terrified of being painted as wreckers of public services. By promising to spend at least as much as Labour on health care and education, they hoped to armour themselves against such attacks, but in doing so appeared to accept that they were guilty of neglecting schools and hospitals when they were last in office. Polling data suggests that voters still strongly resist the idea of tax cuts at the expense of services. Populus found that although 63% would prefer cuts in spending to higher taxes, 68% would want any savings from reducing waste to go into services rather than tax cuts.

Countless focus groups have convinced Mr Letwin that the voters' priority is to get better value for their taxes. They have a growing suspicion that their money is not being spent well. Consequently, instead of talking about tax cuts that people are not yet demanding, Mr Letwin has spent the past year trying to demonstrate that the government was throwing good money after bad because its whole approach to running services was bureaucratic and over-centralised.

To that end, more than a year ago, he asked David James, a company troubleshooter, to identify how much could be saved if government operated differently. When Mr James's team produces its final report on January 12th, Mr Letwin expects him to have come up with about £30 billion of “itemised, line by line” savings. Mr Letwin stresses that implementing Mr James's recommendations will not be painless. “There will be some rows because it means government doing less. But it all adds up.”

The danger is that a last-minute promise of tax cuts will look more like a desperate throw of the dice than a crucial part of a

Mr Letwin believes that the first part of the argument has been won—people sense that the “transmission mechanism” between paying higher taxes and

getting better services is broken. That's the good news for the Tories. So is the fact that the Tories have identified 850,000 people in 150 marginal constituencies as disillusioned former Labour voters who might be persuaded to vote Conservative. But the bad news, as Mr Letwin admits, is that those people are deeply cynical about all politicians. To his chagrin, he has discovered that neither months of banging on about the James review nor an action plan to deliver better value for money has made the slightest impact on the electorate.

coherent set of beliefs about the way the world works

If the Tories are to have any chance of making headway between now and the election that is expected next May, they must persuade these sceptics that they are serious about delivering better value for money, and that because they are, they really can lower taxes without hurting services. That, says Mr Letwin, should be a winning package. He may be right, especially if the Tories were smart enough to concentrate all their tax-cutting efforts in ways that were both fair and economically efficient—for example, by restoring the earnings threshold at which people start to pay tax to its 1997 level. Everyone would benefit, but the worst-off would do so disproportionately.

One for the future

But Mr Letwin is running out of time. Even if, against all the odds, he convinces the cynical British electorate that he can run a tighter ship than Gordon Brown, he is hampered by his refusal to say what taxes he would cut and by how much until after the chancellor delivers his spring budget. Endearingly, he hopes that during a four-week election campaign, the Tories might “catch a mood”, much as the UK Independence Party did during the European Parliament elections.

Yet political messages require endless repetition over many months before they stick. The danger is that a last-minute promise of tax cuts will look more like a desperate throw of the dice than a crucial part of a coherent set of beliefs about the way the world works.

But an even greater danger is that after losing, the shell-shocked Tories will again make the mistake of abandoning their tax-cutting credentials. Mr Letwin has the right strategy. Not for this election, unfortunately, but for the one after.

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About sponsorship

The year in verse, part one

A twelvemonth of tumult

Dec 16th 2004
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Reuters

The world's events we here rehearse—The year that's passed is told in verse

JANUARY >

DARK night gave way, that Jan the first,
To hopes that now the sun would burst
On where Saddam had once been king—
Tsar, caesar, lord—of everything,
And with his acolytes and thugs,
And poison gas and listening bugs,
Had ground the poor Iraqis down,
In field and dune and marsh and town.
The realisation soon would grow
That in his place was GI Joe,
A decent, fair and honest friend
Who had no wish his life to spend
In any country but his own—
So long as freedom had been grown.
For GI Joe had but one aim,
To make Iraq look just the same
As any democratic reach,
From Oregon to West Palm Beach.

AND yet Iraq was daily rent
By shots and blasts from men who sent
Crazed bombers out to kill and maim.
The zealous masses they'd inflame
And stir the clerics to incite
Their congregations to invite
The ever-conquering Yanks to go,
And never more their faces show.

MEANWHILE, over to the east,
Two years had passed since war had ceased,
Yet here as well some hopes were rising,
The reason was a group comprising
Delegates from far and wide,
Tajiks, Pushtuns, side by side,
Aimaqs, Uzbeks, crooks and warlords,
All agreed to sheath their broadswords,
Then sat down amid the rubble
To see if they could ease their trouble;

And from this motley institution
Arose an Afghan constitution.

NEXT door, where grimly clerics reign,
Weak reformists pled in vain
With a council so hardline
Few considered it divine.
What they sought was a selection
To contest the next election
And thus assist th' Iranian nation
To escape its isolation.
But the steely ayatollahs,
Caring more for power than dollars—
Not that they would close their palms
To the faithful's proffered alms—
Knew that they would lose control
If they let reform unroll.
So no, the critics could not stand:
Half their candidates were banned.
Guardians of the revolution
Must resist such vile pollution;
They must brook no opposition,
Press ahead with plans for fission,
Hone their theocratic praxis—
And languish on the evil axis.

IN OTHER parts the breaking news,
Of wars and bombs and avian flus,
Was little better, it appeared.
True, some Italians rose and cheered
To hear a court say Berlusconi
Must be tried, the law was phoney
That granted him immunity
And so conferred impunity.
And down in Georgia Saakashvili,
Young and brave, not touchy-feely,
Took every vote, bar 4%,
And thus became the president.

ELSEWHERE, however, much was gloom.
Darfur heard the crack of doom,
As every kind of odious deed
Was turned to by the *janjaweed*.
Oppression reigned from Minsk to Lhasa,
A bomber killed herself in Gaza,
And men in shades in Pakistan
Began to question Abdul Khan,
The father of the country's bomb,
Who'd spread his secrets far from home.

A WORLD away, in cold Des Moines,
By caucus, poll or well spun coin,
The Democrats began to choose
A candidate who shared their views
And might do battle, later on—
The race would be a marathon,
Involving grit and shove and push—
With George (the latest) Walker Bush.
All eyes till now had focused been
On pull-no-punches Howard Dean,
But Dean let out a plangent yell
That sent his ratings straight to hell,
And, with the voters not so sure,
A new face was the cynosure.

John Forbes Kerry was his name
And by month's end he'd shot to fame,
A veteran with gongs galore
And stinging words about the war.
Which war was that? Vietnam, of course,
But now once more the use of force
In this new war was looking vain—
The war to fell Saddam Hussein.
Could Kerry wow the party hacks,
And plug the Democratic cracks?
Was he Viagra? Polyfilla?
An elixir? A dragon-killer?
Or just a boring flip-flop man?
Political temazepam?

QUITE different questions troubled Tony,
The aegis-bearing Bush's crony,
Whose faithful loyalty to his friend
Had brought no favours in the end
And cost him dear within his party,
Which threatened now to give him hearty
Thanks and hustle him to quit—
G. Brown could make a fist of it.
Two horrors stalked the grinning Blair,
One a pretty small affair
Involving top-up fees for students,
Never known for showing prudence.
The other, though, concerned Iraq,
In truth a matter deep and dark
In which the BBC had stated
That Tony Blair had overrated—
“Sexed up” was in fact the term—
A spooks' report about the germ
And ultra-nasty nuclear stuff
That S. Hussein was braced to puff
In—this was a measure of his power—
Just three-quarters of an hour.
Many Brits disliked the war,
The spin and lying even more,
Especially the false deduction
That the weapons were of mass destruction.
One man who'd told the Beeb his thought—
This was the source for its report—
Had then resorted to a knife
To cut his wrist and take his life.
Six months had passed and now was due
An independent full review
In which a judge would soon proclaim
If anyone should take the blame.
Some thought that, having heard from Hutton,
T. Blair would be as dead as mutton.
How wrong they were: when all was stated,
It was the Beeb the judge berated.

Reuters

FEBRUARY >

IN FEB, the shortest month of all,
Iraq was still in Mars's thrall.
The world watched bombs and rockets fall,
And hopes of peace could only pall,
Notwithstanding Wolfowitz.

DARFUR now was racked by hunger,
Sri Lanka hoped for someone younger
Than its boss, Kumaratunga,
Who, 'midst cries of “Cowabunga!”
Sacked her colleagues, causing splits.

LIKEWISE Putin purged his team,
Vowed to mine a richer seam.
Mugabe sank in world esteem—
His special powers made critics scream.
Zimbabwe was the pits.

FRANCE said it would ban the veil,
San Francisco it would hail
Same-sex weddings, male to male.
Gays who'd hoped they would prevail
Were putting on the Ritz.

UGANDAN cultists slaughtered 80,
Things were even worse in Haiti,
Nader said that every state he
Would contest, thus leaving baity
Democrats in fits.

THE world dismissed th' Iranian poll,
A bomb in Arbil took its toll,
Kerry's bus began to roll,
And viewers of the Super Bowl
Saw Janet Jackson's tits.

MARCH >

IN EAGERNESS, it now appeared, to live up to its name,
Mad March arrived in crazy style with lots more of the same:
In Karbala, in Quetta, La Paz and Tashkent, too,
In Gaza and Fallujah—though not in Timbuktu—
Boom followed after bang, alas, bang followed thud,
The air was full of smoke and the streets were full of blood.
But the worst bangs of all were the ones that shattered Spain,
Three days before a vote was due to put in place again
The team once led, the Bushies said, by that bright shining star,
The champion of “new” Europe's crew, José María Aznar.
When he had sent Spain's soldiers to do battle in Iraq,
He hadn't given his reasons, but kept all his thinking dark.
E'en so, the polls predicted that his team would win again,
But the voters didn't like the way that he and all his men
Were quick to blame the bombing on Spain's home-grown ETA camp,
When all the signs suggested that it bore al-Qaeda's stamp.
And so the Spaniards brought to book George Bush's friend and hero,
By opting for José Luis Rodríguez Zapatero.

BY CONTRAST, for some others, the votes were trouble-free;
Malaysia and El Salvador had rulers filled with glee.
The Taiwanese returned their boss, though only by a fraction,
While the other 49% demanded satisfaction.

John Kerry drew more comfort from a Super Tuesday win,
His rivals, though, sustained a blow and saw their ranks grow thin.
Attempted coups would make the news in Congo and Sudan,
And Turkmenbashi banned all beards in Turkmenbashistan.

THE South Korean president found solace out of reach
When his parliament chastised him and then voted to impeach.
For North Koreans and Cypriots the talking came to naught,
But with Muammar Qaddafi it all proved much less fraught.
In Pakistan the Indians had a jolly spiffing tour
Showing cricket could bring friendship to old enemies next door.
Events in Venezuela, though, were doomed to end in fracas—
Too bad that cricket isn't played in soccer-mad Caracas.
Too bad, as well, for Irishmen who liked to have a drag,
That now in every workplace the signs said “Quench that fag”.

APRIL >

THE father of Muqtada
Was a better man, they said,
Yet anyone called Sadr
Filled western hearts with dread.
Old Sadr was a scholar,
With a penchant for the book,
But the son was rather different
With a very nasty look.
He could summon up his forces
From the centre of Najaf,
Or the slums of Sadr City
Where the streets were mean and tough.
Though the Sunnis of Fallujah
Might sometimes call a truce,
Muqtada thought the Shias
Should turn Bush's rednecks puce.
And so the spring was bloody
In this “liberated” land,
Where the lights were intermittent
And the wells were clogged with sand.

THOUGH things were somewhat better
In the kingdom to the south—
You could not say the people here
Were living hand to mouth—
Yet a bomb went off in Riyadh
And re-echoed clear and loud
With a message that was meant to rock
The ruling house of Saud.

IN THE land between the Jordan
And the Mediterranean Sea,
The guardian of the Jewish state
Said Gaza might be free.
He vowed to pull the settlers
From their Earthly bit of heaven.
The borders, though, would not be those
Of 1967.

NO MATTER, said the White House;
It's an excellent idea.
A state we'll make in Palestine
With all its exiles there.
They can't go “home” to Israel—
That simply isn't on—

We'll leave it to the Likud
And dear Ariel Sharon.

BY CONTRAST, in Ilave,
A town in south Peru,
Protesters tore the place apart
And lynched the mayor too.
A law in California
To give workers compensation
Had brought the state to penury
Amid much consternation.
“Don't vorry, frendz, no need to fear
The budget it vill beggar;
Ve'll halve the cost of joblessness,”
Said Arnold Schwarzenegger.

Reuters/Courtesy of the New Yorker

MAY >

WOULD in Iraq more mayhem come in May?
Yes, shots and rockets fell, and bombs galore.
But worse than this, the world was soon to say,
Worse than the ruin and bile and gore,
Were pictures on the screen and in the press
Of hapless prisoners held in Abu Ghraib,
Recoiling from the unslipped dogs of war,
And humbled in their awful nakedness—
Yet not by those who'd ruled this jail before,
But leering GI Joe and GI Joan, his babe.

WE TOLD you so, said Muslims far and wide,
“A failure of our leaders” was th' official phrase.
Don Rumsfeld realised he must now decide
To go, which, pondering the matter for some days,
He did. But 'twas not from the Pentagon he hastened
But to Iraq, responsible, he said,
For matters of “enhanced interrogation”—
He did not care for “torture lite”—and, seemingly unchastened,
Spoke of “abuse”, but not of resignation:
Bad apples lower down were blamed instead.

A HAPPIER tale by far from India came
Where Sonia Gandhi's Congress from behind
Emerged to form a government and claim
Lok Sabha, though the top job she declined—
A politician bashful, it appeared,
Despite Nehruvian lineage and lore.
Manmohan Singh the premiership assumed,
A market-friendly face whom no one feared.
The BJP its sorry self had doomed,
With “India shining” calls for five years more.

THE EU welcomed ten more to its ranks.
Iran was going nuclear, folk said.
The rivers in Brazil all burst their banks.

Torrential rain left floods and thousands dead
In Haiti, which was also torn by strife.
Koizumi went to North Korea to find
The children of some Japanese once captured.
Rush Limbaugh said that he'd divorce his wife.
Darfur was looking trashed and badly fractured,
But no one now could bring themselves to mind.

JUNE >

THE bloodshed and violence continued to mount
In the land where Saddam had once reigned.
That the Yanks could breathe easy if they yielded power
Was the hope that they all entertained.
The date had been set for the end of the month,
For the new sovereign state to be born.
The handover came, with a slight hint of shame,
On an early, unadvertised morn.

THINGS weren't going much better for Bush back at home,
The top judges said he was wrong.
Guantánamo's inmates, they forthrightly ruled,
Had had rights to appeal all along.
To make matters worse, in the eyes of the world,
Was some evidence bound to displease,
That G. Bush's own men, with a stroke of the pen,
Had said “Torture's OK overseas.”
And then from some sages there came a report
Saying no kind of link could be found
Between Saddam Hussein and the troglodyte men
Who had razed the Twin Towers to the ground.

BUT America now for a moment would pause
To reflect on a president late.
Old antagonists all could agree not to call
Reagan anything other than great.

IN EUROPE, meanwhile, all the big cheeses met
To say yes to a new constitution.
Though for months they'd conferred, some critics demurred
Amid vows to resist “revolution”.
Most voters, however, to judge by the poll
For their pan-European talking-shop,
Had preferred to stay home, with a film or a tome,
Than this grandiose plan try to stop.

THE Philippine votes were all counted at last
And Arroyo was once more in power.
But no comeback for Bill, though kid Clinton could still
Pull crowds with a vapid memoir.

AS USUAL, however, the nastiest news
Was to come from the sad Middle East:
While cameras were steadied, two men were beheaded
And the tapes to the media released.

... Continued

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The year in verse, part two

A twelvemonth of tumult

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Reuters

The world's events we here rehearse—The year that's passed is told in verse

JULY >

EUROPEANS, some at least, in years divisible by four,
Start July with sporting talk not just of cycling (yes, *le tour*),
Of Wimbledon (yes, “Come on, Tim”), of cricket (who's that at the crease?),
But also, quadriennally, of football (no more summer peace—
Nil-nil, foul, expletive, “Goal!”), a ghastly contest won by—Greece!

IF THAT, however, shook the bookies, no one now expressed surprise
That a senior Senate panel went to lengths to criticise
All the spooks and spies and experts, all of those who once had said
That Iraq was stuffed with weapons fit to fill the strong with dread;
Thanks to them, the panel noted, all the world had been misled.

IN BRITAIN, too, there was tut-tutting, as Lord Butler now laid bare
All the fibs and fabrications in the desperate drive to scare.
MI6 had bungled badly, God knows how it made its claim
About those horrid, beastly weapons—golly, what a rotten shame!
Still, since the mess was all collective, no one really was to blame.

THAT'S the way New Labour likes it, so it seems, at any rate:
No one fails and all have prizes; simply blame the fourth estate.
Don't let's mention missing weapons, don't be cross, it's quite unfair.
All who acted acted nobly, good intentions everywhere.
Politicians don't say sorry, not Geoff Hoon or Tony Blair.

OTHER leaders had their problems, Europe's struggled to recruit
A chap to run the new commission, not, they hoped, a boring suit.
But half the names were controversial, and half again seemed pretty so-so,
Until they found a man at last, not at all *malodoroso*,
A Portuguese would fit the bill: José Manuel Durão Barroso.

FAR and wide, as voters voted, ruling parties took a hit.
In Canada the Liberals smarted, won but also lost a bit.
The Japanese were likewise vengeful, gave the government some knocks;
Mexico did something similar, taking aim at Mr Fox,
And his missus, so it seemed—all ambitions, airs and frocks.

AT THE HAGUE the World Court uttered, Israel's wall would never do;

We'll build on," th' Israelis answered, "What's it got to do with you?"
Michael Moore was grossing millions, Kerry picked his running-mate.
Uncle Sam restored relations with a former terror state—
Libya was back in favour, Iran was now the place to hate.

AUGUST >

FAR away, in Venezuela,
August saw bold Chávez cheer.
Faces in the West turned paler,
As the poll results grew clear:
Six in ten had backed the colonel,
This would have results external,
For the price of oil was dear.

IN IRAQ the wells were pumping,
But the place was still at war;
In Najaf the joint was jumping,
Chaos reigned as ne'er before,
Till an aged ayatollah,
Who had long been hard to collar,
Sealed a deal to fight no more.

AT HIS trial for war-crimes vile,
Slobodan Milosevic
Was too ill, despite denial,
To conduct his legal pitch.
So two lawyers were appointed—
Perhaps their minds were double-jointed—
To defend the Serb's last ditch.

ANWAR IBRAHIM, a plucky
Prisoner in a Malay jail,
Six years on at last got lucky—
No one even asked for bail.
No such luck for Master Thatcher,
Nabbed inside his Cape Town dacha;
Protests were to no avail.

IN NEW YORK th' United Nations
Told the bloodstained Sudanese
Time was running out for patience:
Would they stop the killing, please?
But veto-wielding Mr Putin
Didn't want the UN boot in,
So Sudan would feel no squeeze.

WINDS swept through the Caribbean,
Olympic athletes strove in hope.
Only efforts Herculean
Could make Afghans give up dope.
Rebels flocked to Katmandu,
Chechens bombed a plane or two;
Could the Russians ever cope?

Reuters

SEPTEMBER >

SEPTEMBER was here, and the winds now blew strong;
The trail of destruction grew horribly long.
East-coast America, Haiti and Cuba
Jamaica, Grenada and once-Dutch Aruba
Were hammered and battered by night and by day,
Their houses were flattened, if not blown away.

IN AFRICA, too, the disasters descended,
As locusts came down it seemed God was offended.
But the worst blows of all, as so often the case,
Were the blows meted out by our own human race.
And of these there were few that could ever compare
With the slaughter that opened the Russian school year.

THREE hundred children, perhaps many more,
When the classrooms were stormed were found dead on the floor.
Chechen guerrillas were plainly to blame,
But many thought Russia shared some of the shame
For badly mishandling the siege of a school
And repressing the Chechens who wanted home rule.

FOR benighted Iraqis things also were bad,
Bombs killed 30 children in central Baghdad.
The place will be peaceful, said Iyad Allawi,
But the script was now written by one al-Zarqawi,
A man often said by the pressmen embedded
To preside over hostages being beheaded.

SHARON'S plan for Gaza now looked like a starter,
A bomb killed eight people in central Jakarta.
In *Land* after *Land* German voters made plain
That they didn't care much for the thought of more pain;
But though plenty were ready to stick it to Schröder,
They equally hoped to put Merkel in purdah.

REFORMERS in Turkey now thought it was time
To make sex out of wedlock, if married, a crime.
The EU took umbrage and said, “Not so fast,
If you want to join Europe this mustn't be passed.”
“OK,” said the Turks, in the face of such flak,
And their talks for accession were put back on track.

OCTOBER >

NOW grey October galloped in apace,
Although the sun shone bright enough on some.
John Howard, down in Oz, ran quite a race
And left Mark Latham up a tree of gum.
The Afghans voted, too—it was a first—
And in a poll few thought would safely pass,
Though ballots oft were missing or dispersed,
They Karzai chose and thus escaped a farce.
The folk of Maharashtra, in their poll,
Rebuked the Hindu zealots all about;
The Indonesian voters, on the whole,
Chose cautious Yudhoyono in a rout.
But Serbs and Kosovars would still not mix,
So left their mutual province in a fix.

WHO now would speak for Europe in the world
And harmonise th' affairs of all its nations?
Barroso had his chosen list unfurled,
With faces matching all their future stations.
But one of them, named R. Buttiglione,
To parliament had aired views rather strange;
It said that they were bigoted baloney:
This member of the team he'd better change.
And so he now withdrew the whole commission.
Attention turned instead to hot-air blasts.
The Russians chose to end sins of emission,
And ratified that protocol at last.
This meant the number now reached 55—
Enough to keep Kyoto's dream alive.

GOOD news from France came when arrests were made
Of ETA leaders sought for crimes in Spain.
The word from Pitcairn left the world dismayed:
For years the island's girls had cried in vain
As male descendants of the *Bounty*'s crew
Raped and abused them with no sense of shame.
Th' Iraqi news was sadly far less new,
Samarra was recaptured, but the name
Fallujah, fiercely resonant with awe,
Was now on every lip and trembling tongue.
The White House race towards its close did draw,
Debates were done, the final mud was slung.
With rival's records each played fast and loose;
Bush cut some taxes, Kerry shot a goose.

Reuters

NOVEMBER >

THE second of November and the morning of the vote,
The candidates seemed neck and neck and not inclined to gloat.
By midnight, though, it all was clear, the prize had gone to Bush,
The hammer of Saddam Hussein, Iran, the Hindu Kush.
A warrior the voters chose, a man to love and dread,
A Christian, a patriot, who'd paint the country red.

AND red indeed it looked next day: both Senate and the House,
Were redder than the day before, the Democrats would grouse.
Moreover, in 11 states the fate of marriage gay
Had fallen foul of prejudice and men like Tom DeLay,
Who'd mashed the map of Texas, despite the protests heard,
With help from one Bush liked to call the Blossom of the Turd.

THE time had come, apparently, to make the good times roll,
The cabinet was winnowed and they said goodbye to Powell.
He'd hardly dared leave Washington for fear that in a trice
Old Rummy would outsmart him, so bring on Condi Rice.
With the CIA in chaos and Bill Rehnquist looking sick,
George Bush could now prepare to cure the body politic.

THE place most sorely wounded, though, was bleeding at the seams;
'Twas time to zap Fallujah and to hell with all the screams.
Iraq was due to hold a vote within just 80 days;
The way to spread democracy was bomb and blast and blaze—
Insurgents, you'll appreciate, not plain Iraqis good.
Too bad if some poor innocents may not have understood.

THE Arab world then drew a breath to praise dead Arafat,
And wonder who might now take o'er the group that he begat.
The Dutch all froze in horror at a murder foul and wild
Of a man who'd made a movie that had many Muslims riled.
West Africans in Côte d'Ivoire were turning on the French
And torture tales of Pinochet made many a Chilean blench.

TO BATTEN down a hatred some thought was quite primordial,
Jacques Chirac came to England and thus kept the *entente* cordial.
A group of wise reformers tried to mend some UN fences.
A *Homo* hitherto unknown was named *floresiensis*:
She lived 12,000 years ago and stood just three feet tall,
Her teeth were worn with munching and her brain was rather small.

AN ACID memorandum from the Red Cross came to light
Saying techniques in Guantánamo were really far from right.
And meanwhile an election rent the floundering Ukraine,
Whose streets were thronged with people, all clamouring in vain.
And down in Foggy Bottom the man so long ignored
Decided that he now had time to take a trip abroad.

IN PRE-ELECTION Britain there was war on every front;
The Lords and Commons clashed over huntsmen's right to hunt.
Pink coats were sent a-packing, the countryside was cross,
But the Commons was determined to show that it was boss.
If this was freedom's test, then the government would flunk it;
But never mind, all eyes were on the love-lorn Mr Blunkett.

DECEMBER >

AND so the year was almost out,
December had begun.
Ukraine was going down the spout:
Both Victors thought they'd won.
But then the court said, “Vote once more,
On Boxing Day.” Was that a bore?
No, more a shaft of sun.

A VOTE took place in Mozambique.
In France old Juppé crowed:
A judge gave him the right to seek
The presidential road.
Sarkozy will be miffed, they thought,
To face this man from Chirac's court,
When Jacques puts down his load.

THE world had changed, 'twas plain to see,
And yet it was the same
For those with AIDS or HIV—
Few comforts for them came.
Five million more were virus-cursed,
And seven times that already nursed
This incubus of shame.

UP NORTH rich folk would now decry

The rising price of oil,
The dollar low or euro high,
And housing off the boil.
Third-worlders, though, were used to pain—
Another year and little gain,
Another year of toil.

WOULD next year any better be
Than this year gone before?
Would peace illumine January,
Or would it be more war?
Would sun shine down and flowers bloom?
Or would there be a hecatomb?
We do not know, that's sure.

FOR now we must content ourselves
With Spiderman and Shrek,
With red-nosed deer and little elves,
And hollied halls to deck.
If Father Christmas wishes well,
The world won't just yet go to hell,
Though it may look a wreck.

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Graffiti

The writing on the wall

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From The Economist print edition

Corbis

Scribbles for thought

A FEW years ago, drivers on the M40 Oxford-to-London road were confronted with a question. Over a metre high, and more than 30 metres long, the painted conundrum on a fence in the Chiltern Gap was unavoidable: “Why do I do this every day?” Hundreds of thousands of people may have pondered the question, if not the answer. During rush hour, it read like a rebuke to the commuter's way of life: you may have a nice house and garden, but is it worth the time you spend in traffic? At other times, the question seemed more reflective, as though a habitual vandal had experienced a moment of self-doubt. Speculation ceased briefly in 2003, as anti-war messages crowded out the graffito. But the query is now back, in lurid green and black. It has even been updated: “Why do I still do this every day?”

Public scribblings are not always provocative—or, at least, not in a good way. There is little mystery to the common species of vandalism that consists of stylised names written over and over again until the author becomes bored or is caught. The purpose of that is simply self-advertisement; visibility is its own reward. But any attempt to convey something deeper is bound to intrigue. The graffito is an odd kind of writing—at once secretive and public, immediate and obscure. The impossibility of knowing exactly when and why messages appear, or even what they are supposed to mean, can turn even the most banal remarks into puzzles.

The practice of writing on walls is so universal that it almost qualifies as a human characteristic. It is done everywhere from third-world villages to affluent cities. People were scratching their names in plaster a century ago, as a visit to many old tourist sites will confirm (indeed, for sheer destructiveness, the Victorians are hard to beat). Graffiti adorned 18th-century Parisian lavatories, medieval Norwegian churches and the walls of Pompeii, which was buried under ash in 79AD.

Graffiti may even be as old as writing itself. Excavations in and around the Athenian Agora have turned up many pots with scribbled messages on them. Some of these are ancient—older than the plays of Aristophanes, or “The Histories” of Herodotus. At the time they were inscribed, the alphabet was so novel that the authors struggled to shape their letters. So what did the ancient Greeks do with this extraordinary technology, which could freeze speech and carry it across vast distances? Some asserted ownership (“Of Tharrios I am the cup”); others wrote shopping lists. Then, very quickly, they worked out a use for writing that seems much more modern. The turning-point came when someone picked up a knife and scratched on his pot: “Titas the Olympic victor is a lecherous fellow.”

Enter, the bog-house collectors

It is only by chance that scrawlings endure. They have many enemies, from political authorities concerned about the appearance of a neighbourhood to the corrosive effects of sun and rain. Messages written on walls are usually preserved only when somebody photographs or writes about them, thus transferring them to a flimsier but more enduring medium. For much of history, nobody thought it necessary to do that. Then, in 1731, a pioneering collection of graffiti appeared in London.

"The Merry-Thought: or, the Glass-Window and Bog-House Miscellany" was, as the title suggests, obtained mostly from public lavatories—a favourite site of graffiti-writers through the ages. The editor, who went by the pseudonym Hurlo Thrumbo, probably did not collect all the material himself, but relied on a network of correspondents. His mission, as he described it, was to preserve morsels of wit from the forces of cleanliness and philistinism.

> A cleanly Landlord must have, forsooth, his Rooms new painted and white-wash'd every now and then, without regarding in the least the Wit and Learning he is obliterating... But I may venture to say, That good Things are not always respected as they ought to be.

This was something of a pose. To judge from dates appended to some of the graffiti in "The Merry-Thought", 18th-century landlords did not get round to obliterating messages more than once every ten years or so. Some survived even longer. Several fashionable hands at the time sported "writing rings", which had diamonds or other stones set upside-down to allow easy cutting into glass. Graffiti thus made might last for decades.

The resilience of graffiti in Hurlo Thrumbo's day enabled banter and backchat among writers. "When full of Pence, I was expensive, And now I've none, I'm always pensive" wrote a sad *philosophe* on a Romford window. The rhyme provoked a crafty reply: "Then be at no Expence, And you'll have no Suspence." Two sexist verses were answered by someone who clearly disapproved—a woman, assumes the editor. "Immodest Words admit of no Defence;" she sniffed, "For Want of Decency is want of Sense."

Excrements of wit

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Memento mori

Women could, and frequently did, answer men's graffiti in the early 18th century for the simple reason that they used the same outhouses. These days, men write mostly for men and women for women, with the result that distinct graffiti "languages" have emerged. Academics, who are surprisingly interested in this sort of thing, have proved through laborious counting that men's writing is copious and frequently hostile, whereas women's is sparser and more idealistic. In the 18th century, though, the knowledge that their words would be read by the opposite sex seems to have restrained men from some of the crudeness that they are prone to these days. Some were actually romantic: "Dear charming lovely Nancy L—r, Thou art my only Toast, I swear", wrote one love-struck fellow.

Many of the musings in "The Merry-Thought" are, however, so familiar as to be virtually eternal. One rhyme, from a London stall, mixes contempt for other people's writings with what a psychologist would call anal fixation:

> Hither I came in haste to sh-t,
> But found such Excrements of Wit,
> That I to shew my Skill in Verse,
> Had scarcely Time to wipe my A--e.

Women could, and frequently did, answer men's graffiti in the early 18th century for the simple reason that they used the same outhouses

Similar verses were recorded two centuries later by an American lexicographer, Allen Walker Read, whose "Glossarial study of the low element in the English vocabulary" relied on material from America's national parks. Such latrinalia are so unchanging, in fact, that folklorists call them "traditional" or "trite". Along with "cute-intellectual" and "tea-room trade" graffiti ("For a good time meet here at 5 o'clock"), they account for most of what is written on lavatory walls—which is to say, most of what is written on walls anywhere.

It takes a great controversy to distract graffiti-writers from the pressing concerns of love, defecation and the fortunes of the local sporting team. When political and religious passions are touched off, though, more urgent messages begin to appear on walls. Wars, dictatorships and rebellions produce vast quantities of graffiti, and in more public places. The point of political propaganda is, after all, not to

offend and annoy people, but to influence them. At times of great agitation, writers take such risks to ensure their messages are seen that bravado itself can become the point of the exercise.

That happened during the Palestinian *intifada* of 1987-93, when the walls of the occupied West Bank were literally fought over. Gangs of youths crept out at night to paint rebellious and sometimes witty slogans: “Prison is for relaxation, deportation policy is for tourism, throwing stones is exercise”. Israeli soldiers swiftly blacked out the slogans, though few of them could read Arabic. Or they used the threat of fines to coerce the owners of walls into doing their work, which brought an immediate response from the local scribblers: “Don't paint over graffiti voluntarily. First warning!” Thanks to the efforts made to suppress them, graffiti became so potent that they not only expressed, but actually created, a sense of revolutionary solidarity. Walls became dispatches from which the uprising's progress could be read.

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...and deep questions

No group, though, has used graffiti so freely as evangelical Christians. They, too, are fighting a war (of a spiritual kind) and regard walls simply as things on which to spread the word. This is not surprising, given the biblical emphasis on public writing. Belshazzar's fate was spelt out by a mysterious hand writing in plaster, “Mene, Mene, Tekel, Upharsin” (“Counted and counted, weighed and divided”). This message, as puzzling as the best graffiti, could only be interpreted by Daniel, who thought it portended the division of his kingdom. That mere devotees ought to follow the divine example is made clear in Deuteronomy, where they are twice instructed to write the ten commandments on the gates and door frames of their houses.

That injunction has been keenly obeyed, though Christians have rarely stopped at the ten commandments, or at their own homes. “It is good for us to have His law written everywhere,” insisted the Protestant reformer Jean Calvin. Medieval and Renaissance churches were filled with crude crosses and autographs, many of them carved into statues and paintings of saints. Such alterations do not appear to have been frowned upon until recently. Between the 16th and 19th centuries, 150 messages were inscribed into the wall paintings of one church in the Italian town of Arborio. They are so carefully cut, and the subject matter so inoffensive, that they must have been officially sanctioned.

Christian messages these days are spray-painted on to walls in such a crude style that they appear more inspired than planned—which is presumably the point. Testaments of faith have become so common that they have spawned a kind of counter-scriptural mockery. London is especially popular for such Rabelaisia. In the 1970s, feminist reworkings of biblical texts were a favourite: “Three wise men—are you serious?” “The birth of a man who thinks he is a god is not such a rare event”. Another example appeared on a wall in West Kensington a few years ago. A familiar testament of faith had been altered by the addition of a single letter: “God so loved the world that he gave his only Sony”.

In the 1970s, feminist reworkings of biblical texts were a favourite: “Three wise men—are you serious?”

Politics and religion can even find their way into graffiti's favourite haunt, where they take on a different and, often, more poisonous form. In the early 1970s American academics began collecting political graffiti from the walls of university lavatories. Comparing notes, they were puzzled to find that the vilest, most hateful epithets against blacks and gays were inscribed on the walls of progressive institutions like Barnard, Columbia and Rutgers. At least 20% of all messages in one study were homophobic, and 17% were anti-black. Equally oddly, though, conservative universities in the American mid-west had hardly

any offensive graffiti, and neither did all-white high schools or bars.

That suggests walls cannot be read as though they are opinion polls. When views are uncontroversial, they may not be written down at all, since neither taste nor law inhibits their expression. The white toughs who hung out in neighbourhood bars 30 years ago might have happily shouted insults such as “Go back to Africa, Nigger!” whereas a student at one liberal East Coast college had to retreat to the men's room in order to say the same thing. He had to be alone—but not completely alone, or there would have been no point in recording his little insult. Offensive messages thrive when people feel their views have been suppressed by the forces of political correctness. The lavatory wall is the manifesto of a counter-revolution that never comes.

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Israelis vow vengeance

Come back Kilroy, all is forgiven

Graffiti writing has always been more respectable than its enemies would admit. Before the era of mass education—in most places, the 19th and 20th centuries—it must have been the preserve of the middle and upper classes, because only their members were literate. The vulgar rhymes anthologised in “The Merry-Thought” were scratched by men and women who could scan, and not always just in one language: some wrote in Latin and French. In any event, it is known that some of the writers were well-to-do, because they gave their titles. “Captain R.T.”, who wrote six lines in a tavern near Hampton Court in 1710, was no commoner.

These days graffiti can be written by anyone. Literacy has become almost universal in the developed world, and writing tools are cheap. Tagging—the repeated writing of names that became fashionable in the 1970s and 1980s—is done by disreputable folk of all social classes, but it is associated with the poor. So are the often beautiful murals that grace railway bridges and, on occasion, art galleries. But there is a difference between these fairly novel types of graffiti and the traditional kind. People who write their names simply want to assert their existence to others, whereas people who write messages want to put a point across.

The second attitude, of course, is typical of the most educated and confident segment of society. That alone suggests today's scribblers may be more worthy than the graffiti they leave behind—just as they were in the 18th century. It may be telling, too, that anti-war messages are so common: pacifist views tend to be stronger among middle-class youth. Most suggestive of all is the decline of graffiti. In the 1970s and 1980s cities were so full of the stuff that modern-day Hurlo Thrumbos filled several compilations. But walls now contain fewer messages. That is partly because of more militant scrubbing, but it is also because there is a new place where people can write anonymously, if they have access to it: the internet. Type “bathroom humor” or “racist jokes” into a search engine, and it is obvious where many of the offending writers have gone.

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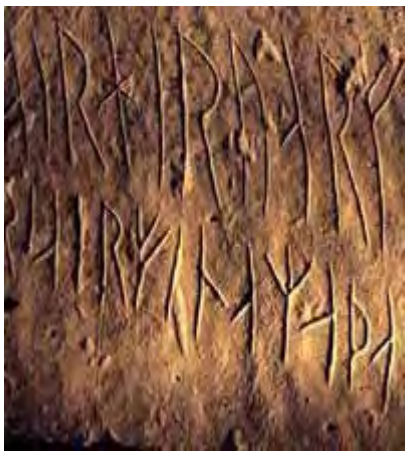

Runic wisdom in Orkney

It may be that the habit of writing on walls is slowly being lost. A pity, if so: life would be neater without graffiti, but it would also be less interesting. On the rare occasions when doodles survive for a few centuries, they become a valuable record of past lives and, often, a tourist attraction. The 5,000-year-old chambered tomb of Maes Howe, in Orkney, is mostly famous for the runes left behind by some 12th-century Vikings. Some of the messages are boastful: “These runes were carved by the man most skilled in runes in the Western Ocean”. Others are whimsical. “Tholfr Kolsseinn's son carved these runes high up”, reads one message close to the roof. There are statements of desire: “Ingigerth is the most beautiful of women”—which would be more romantic if it were not carved next to the image of a slavering dog. A dragon nearby has more charm.

But the most intriguing messages in Maes Howe are those about the burial chamber itself, and the rumours of treasure that may have encouraged the raiders to break into it. One begins abruptly in mid-sentence: “is to me said that treasure is here hidden very well”. Another is less hopeful: “It was long ago that a great treasure was hidden here. Happy is he that might find that great treasure”. Some of these

messages seem to have been carved in 1153, when a group of Viking crusaders stopped on their way back from Palestine. Others may have been left two years earlier, when, according to the “Orkneyinga Saga”, two raiders took shelter in the tomb and went mad. The runes may be honest records, revealing the hopes and frustrations of those who sought wealth on the island. Or they may be spiteful messages intended to tease and confuse. As so often with graffiti, it is impossible to say for sure.

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Odessa

City of faded charms

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Could the famous Black Sea port sparkle again?

IT WAS once Europe's Hong Kong, an opening to the world for a huge hinterland—this one the Russian empire, not China—whose surging trade made it preposterously rich. No European city seized the possibilities of the early 19th century more swiftly or more confidently than Odessa, Ukraine's great Black Sea port.

Its fame passed into fiction. When Honoré de Balzac depicted the death of his tragic hero, Père Goriot, in a poor Parisian boarding house in 1819, he made Goriot's last wish that of going to Odessa and remaking his fortune there in the wheat or the flour trade. The year of Goriot's imagined death was also the year in which Russia declared Odessa to be a free port, 25 years after the city's founding. Already it could boast more than 35,000 residents, a cathedral, a girls' finishing school, a commercial court, an opera house and a theatre troupe led by the daughter of Marie-Antoinette's hairdresser.

The curse of progress

The timing of Goriot's wished-for new life would have been perfect. The golden age of Odessa was just beginning. But half a century later it would end, even as the legend of the city's wealth was still spreading. Its prosperity had rested narrowly on the export of Russian grain to western Europe, and in barely ten years, from the mid-1860s to the mid-1870s, much of that trade was lost. Cheaper and better American wheat flooded European markets after the American civil war ended in 1865. Between 1867 and 1873 Russia's share of Britain's grain imports fell by half, while that of America tripled.

The coming of the Russian railways in the 1870s only made things worse for Odessa. It allowed other Black Sea ports to compete more effectively for the remaining trade. Odessa's main brewery went bust and its banks crashed. By the mid-1870s those who still came to make their fortunes could find themselves sleeping in barrels on the streets.

Primorsky (“Seaside”) Boulevard, the corniche that runs above the port of Odessa, still speaks of the golden age. It is shaded by acacia trees first imported from Vienna by the Duc de Richelieu, Odessa's

governor from 1803 to 1814, who distributed them free to the residents in the hope that their cultivation would cut down the dust in the streets. The boulevard is open on its southern side to the Black Sea. An extravagant mixture of 19th-century architectural pastiche lines the northern side, ranging from stuccoed Grecian to Moorish Venetian. The Corinthian-columned former stock exchange at the western end, designed in 1829 by a Sardinian architect called Franz Boffo, now houses the city council. The neo-classical palace at the eastern end, sadly derelict, was built for Odessa's fourth governor, Mikhail Vorontsov, whose father had been Russian ambassador to England, whose sister married the Earl of Pembroke, and whose wife was said to have had an affair with Pushkin.

From a small plaza half way along the boulevard, the world's most famous staircase—also attributed to Boffo—runs down towards the sea. The design of these 192 steps and ten landings is such that, looking down from above, the visitor sees only the landings. Looking up from below, he sees only the steps. The effect was lost on an early English visitor who called it “an ill-conceived design if intended for ornament; its utility is more than doubtful, and its execution so defective that its fall is already anticipated.” But Sergei Eisenstein, one of Russia's finest film directors, saw the dramatic potential when he came to Odessa in 1925 to make his masterpiece, “Battleship Potemkin”, about a mutiny against the tsarist government 20 years earlier.

Eisenstein took as his climax a massacre of townspeople gathering on the Odessa Steps to back the mutineers. The image of a baby in a pram careering down the steps—renamed the Potemkin Steps in 1955—became one of the best-known moments in the history of film. The visitor of today can imagine the scene, but only with difficulty. The stairs survive, but their way to the sea is blocked by a dismayingly large and ugly terminal for passenger ships built in 1967 and extended three years ago by the addition of an equally ugly hotel.

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Pram-free, these days

Post Sovieticum triste est

The cargo berths ranging far beyond the passenger port are as busy now as they were in Soviet times, shipping Russian oil out across the Black Sea towards Europe. But the tourist trade languishes. For all its fine beaches, Odessa is too hard to reach, too ill equipped, too pricey and still too Soviet in its habits to lure package tourists away from Turkey or Cyprus. A few big western cruise ships tie up in high summer, and many more smaller Russian ones. But even in 2004, the best year for tourism since the collapse of the Soviet Union, Odessa has had barely two-fifths the visitors of 20 years ago. That was enough to give the town a bustle last summer. But now that the winter evenings have drawn in and the rare street lights are lost in gloom, it can feel as though more ghosts than people walk the crumbling streets of the historic centre.

The mayor of Odessa, Ruslan Bodelan, speaks openly about the scale of his city's problems: the municipal budget is minuscule, public services are overstretched, scores of historic buildings need repair. But not everything is bleak: unemployment is low, wages are higher than in Kiev and some foreign investment is coming in. Mr Bodelan credits much of the city's relative prosperity to its close ties with Russia, where high oil prices have brought a boom. Since 1991, when the Soviet Union fell apart, Odessa has been unambiguously Ukrainian, not Russian, at least in political terms. But over 60% of the city's economy is still linked directly to Russia through trade and investment, says the mayor.

The man who first saw Odessa's potential, and who conjured it like an Atlantis out of the Black Sea, was a half-Irish, half-Spanish, Naples-born adventurer called Josef de Ribas, known to the Russians as Osip Mikhailovich de Ribas. As an officer in Catherine the Great's armies, colonising the steppe-lands westward from the Volga, he led the assault on a Turkish Black Sea fortress called Yeni-Dunai, and persuaded Catherine that the site would be a good one for a new Russian port. In 1794 she agreed.

The name—a site nearby had long ago been a Greek colony called Odessos—may have been chosen partly to attract Greek traders. Catherine wanted to lure foreigners because she hoped they would introduce modern methods of farming and commerce, and because central Russia was still too thinly populated to supply migrants on a large scale. The Greeks did come to Odessa—25 families within a year—only to find themselves outnumbered by Italians, masters of the Mediterranean trade, who made up a quarter of the first residents. The French were fairly few in number, but their influence was great. And it was to a Frenchman, the young Duc de Richelieu, a grand-nephew of the cardinal who had served Louis XIII, that Catherine's grandson, Alexander I, turned when he decided in 1803 that Odessa needed

a successor to de Ribas.

Richelieu was an inspired choice. He turned Odessa from a struggling town of 7,000 people into a thriving and handsome one five times that size. Tolerant, cultivated and friendly, he lived modestly in private but gave grand public buildings to his town. The more it looked and behaved like a great city, he believed, the more easily it would attract the merchants and investors who could make it into one. He was, as it were, a supply-side town planner. He built it, and they did indeed come.

Getty Images

Richelieu had friends

Richelieu was able to do so because he had the support of Tsar Alexander, and of rich friends in St Petersburg who were willing to put up the money. His reputation helped attract French merchants who saw a chance to trade with Russia while avoiding the Baltic sea-routes dominated by the English, and also to dodge the blockade that Napoleon was trying to impose against trade with England. But the migrants who did the most to speed Odessa's growth were the Jewish merchants who moved there en masse from the town of Brody in Galicia, at the eastern edge of the Austro-Hungarian empire, drawn by Odessa's potential as an entrepot for trade between central Europe and Asia. They diversified into the grain industry, first as middlemen between the farmers and the export houses, then as controllers of the export trade, a role they usurped from the Greeks and Italians in the 1850s.

Richelieu lobbied Alexander successfully to make Odessa a free port. Goods could then be unloaded, stored and trans-shipped without the expense and delay of Russian customs procedures. The entire city was tax-free, so the shops were full of cheap foreign wines, scents and spices, and a good time was had by all. A British visitor in the 1830s complained that Odessa “might be thought uninhabited at night, but for the drunken roars”.

Or maybe everyone was at the opera, a recreation so popular that a local magazine devoted to it was being published six years before Odessa's first Russian-language newspaper. The Italian manager of the opera house in the 1830s doubled as manager of the port's quarantine block, charging through the nose for quarantine and using the profits to subsidise his musical productions. When the plague was at its worst, opera-lovers at least had the consolation that the singing would be at its best.

When the plague was at its worst, opera-lovers at least had the consolation that the singing would be at its best

For almost all the migrants who gathered there in these early decades, Odessa offered opportunities and freedoms greater than those of their homelands. A Russian could feel “as if he were in western Europe without ever leaving his native land”, wrote one historian. The city's two great early governors, Richelieu and Vorontsov, were liberal men given a fairly free hand by the tsar. Everyone in town was a parvenu, so there was no great weight of tradition or social order with which to contend. Religion was seen as a distraction best suited to those bored by commerce and opera. An English missionary who visited Odessa was told brusquely by a merchant: “I have so much to do with the present world that I have no time to think of a future one.”

This openness had its greatest significance for Odessa's Jews, whose co-religionists were being harassed and repressed in most other parts of the Russian empire. Even within the Pale of Lithuania, Belarus and Ukraine, where Jews were allowed to reside, they were subject to periodic expulsions, shut out of universities and secondary schools, and discouraged from moving out of traditionally Jewish trades such as clothing and needlework.

The makings of the music-makers

Magnum

In Odessa, though, the barriers were fewer and lower. Jews could live anywhere in the city. They could compete freely in business. Their sons could graduate from the university as doctors and lawyers. Liberalism prevailed also within the Jewish community, which was much more secular than its counterpart in the Baltic city of Vilnius, the older and more scholarly centre of Russian Judaism. In Vilnius “the dust of generations lay and the worry of old age was

like a visible shadow—it was a land that looked backwards," wrote one Zionist, Shmarya Levin. Whereas Vilnius spoke Hebrew, Odessa spoke Yiddish. The excellence of cantorial music in Odessa's synagogues, renowned throughout the empire, was attributed by one scholar to the pervasive influence of Italian opera, and both traditions presumably played their part in influencing the city's great violinists of the early 20th century, led by David Oistrakh and Nathan Milstein.

Tolerated, till 1871

By the end of the 19th century, Odessa's population was almost one-third Jewish, with the poor concentrated in the suburb of Moldavanka behind the city market. Theirs was the world portrayed by Isaac Babel in his short stories of Odessa—a slumland of wise-cracking gangsters "crowded with suckling babies, drying rags and conjugal nights filled with big-city chic and soldierly tirelessness". But Odessa was losing its liberalism as well as its prosperity. The turning-point was a pogrom in 1871 that the governor of the day did nothing to suppress. The violent anti-Semitism spreading across the Russian empire began poisoning the city's life. Jews who believed they had been accepted fully into the city's middle-class discovered instead that they were still targets for racial hatred.

Bigger pogroms followed in 1881 and 1905. Jews began leaving Odessa, mainly for the United States. The radicalisation of the Jewish community and the formation of self-defence groups made Odessa a nursery of future Zionist leaders. One was Vladimir Jabotinsky, whose ideas inspired both the Irgun Zvai Leumi resistance movement in wartime Palestine and the Likud party in present-day Israel.

Newsmakers

The strings play on

The turn of the 20th century was a good time to be leaving Odessa. The next decades brought revolution and civil war; Soviet-organised famines in which perhaps 10m people died across Ukraine; Stalinist purges; and Hitler's Holocaust, which was prosecuted in Odessa mainly by Romanian troops allied with the Nazis. Roughly half Odessa's pre-war Jewish population of 200,000 managed to escape before Romania took the city in 1941, but almost all of those who remained were massacred.

Odessa's Jewish community grew again after the war, but only until emigration became easier in the 1980s, when the United States was once again the main destination. Jews now probably number about 40,000 out of a total population of 1.2m, the lowest proportion in the city's peacetime history.

In the later and more peaceful decades of the communist era, Odessa was more fun than most Soviet towns, thanks mainly to its port and its tourist trade. It was a place for affairs, and adventures, and crooks. Its historic buildings were not well maintained, but neither were they knocked down, since there was no incentive within the Soviet system for speculative redevelopment. The climate and the lingering grandeur made the town a popular retirement choice for Soviet officers, especially those who had served with the Black Sea fleet. The scale of their presence is said to be one reason why Odessa is still an almost exclusively Russian-speaking city even now. Ukrainian is scarcely heard.

In addition to their buildings, the people of Odessa have also preserved a sense of humour that goes back at least to Babel's day. In the communist era all the best jokes came from the city. The tradition was, and is, one of wry Jewish humour. Like all good jokes, Odessa's are eternal. But listen hard, and they echo local life. Often, they speak of the waves of Jewish migration in the late 19th century:

"How will I find you when I get to Odessa?"
"Go to Deribasovskaya 6, stand outside, and shout 'Rabinovich'. All the windows will open except one. That is mine. My name is Abramovich."

Of the Stalinist terrors of the 1930s:

“Barber, why must you always talk politics?”
“Because your hair is so much easier to cut when it stands on end.”

Of the shortages of the later Soviet years:

“What do you feed those chickens on?”
“What business is that of yours?”
“I want to lose some weight too.”

Of the *perestroika* years, when emigration became possible:

“Why do you want to emigrate? Now we have more freedom, more democracy. You can sleep easily at night.”
“Thank you, but I have slept already. Now I need something to eat.”

And of modern times, in which hope for the future contends with despair at the present:

“They say in 40 years this country will be rich.”
“A pity we shan't be here.”
“Not ‘a pity’. ‘Because’.”

Here the people of Odessa are too hard on themselves. If Ukraine thrives, it will do so at least partly because something of Odessa lives on within it. As a liberal city open to the world, Odessa was an aberration by the 19th-century standards of the Russian empire. It was as close in spirit to Paris as to St Petersburg, and it made itself useful to both. This is exactly the balancing act that Ukraine, still poised between east and west, has to master two centuries later. Perhaps the memory of Odessa can help.

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Atoning for Germany's past

A shift in the landscape

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From The Economist print edition

Getty Images

First the victims were remembered, now the perpetrators

THE building site is still surrounded by a chain-link fence, but it is already a staple on the Berlin tourist circuit. Scores of visitors climb an observation platform daily to count the grey pillars as they rise: some four metres (13 feet) high, others barely above the ground. When all 2,751 are erected, they will form a huge plain of undulating concrete sliced by narrow pathways through which the building's architect, Peter Eisenman, expects visitors to move alone, losing all certainty and orientation.

On May 10th, two days after the 60th anniversary of the end of the second world war, the world's eyes will be on this monument in the heart of Berlin. Here, a stone's throw from the Brandenburg Gate and surrounded by government buildings and embassies, Germany will unveil its Memorial to the Murdered Jews of Europe, intended as the country's ultimate gesture of atonement for the Holocaust. Some foreigners may be tempted to see the memorial as an overdue acknowledgment of German guilt. Yet this huge project largely obscures a broad landscape of commemoration that has developed across the country in recent decades. There are now hundreds of memorials, from concentration-camp museums to plaques commemorating resisters, from Gestapo prisons to brass bricks sunk in the pavement outside ordinary houses, naming the Jews who once lived there.

This landscape is undergoing a shift. Since the early 1990s, the aim of its creators has expanded from commemorating the victims of Nazi atrocities to educating young Germans and others about the perpetrators of those crimes. Documentation centres have opened at the most notorious *Täterorte*, scenes of the crime, which are visited by hundreds of thousands of Germans each year. All born of grassroots initiatives, they are not called memorials, but places of reflection and learning.

“German confrontation with the Nazi past has grown dramatically in recent decades,” says Reinhard Rürup, an historian. The generation of those who lived through, and took part in, the terrible 12 years of Nazi rule is dying. Only now have Germans of the third generation felt free to delve into this period of their history. “It's much harder to confront one's own society, as a society of perpetrators, than it is to honour the victims,” observes Thomas Lutz, who co-ordinates the work of Holocaust-related memorials and documentation centres for the Topography of Terror Foundation.

The road from Dachau

Paradoxically, unification, which some feared would cause Germans to put this past behind them, has accelerated the change. The federal government, having responded to calls to renovate memorials in the east, has also felt obliged to spend money in the west. All over Germany, it seems, there is a new hunger

to understand. Yet it is still difficult to tell the story. Is it possible to avoid shrines that pander to public fascination? And how can this part of the country's history be shown to be relevant to Germans, particularly younger ones, today?

The journey through this landscape of commemoration begins not in Berlin, but in Bavaria, the birthplace of National Socialism. A 20-minute train journey from central Munich leads to the Dachau memorial, visited by more people each year, some 800,000, than any other Nazi-era site. Dachau, built in 1933, was the first concentration camp. In 1945, pictures from here appeared in the first newsreels that showed the world the full horror of what had been taking place in Germany. So this memorial, more than any other, incarnates the first, post-war phase of remembrance: honouring the victims.

Even achieving that was not easy. The local response, succinctly described in a revamped exhibit that opened last year, was “repress and forget”. After the war, Dachau was used by American forces as a military stockade, then as a refugee camp for Germans expelled from the Sudetenland. Only after some former prisoners had fought a ten-year battle for a fitting memorial on what had become an overgrown site did the first exhibit open in 1965.

Alamy

It was the victims who created the exhibit, as testimony to their suffering. At the time, few had any interest in documenting their tormentors, says Barbara Distel, the memorial's director. Historians set out to broaden this view 30 years later, providing new information about the camp's role in the larger story of the Third Reich, and bringing the exhibit up to the standards now common at historical sites. Visitors now get much more than accounts of suffering and a sense of the camp's aura of ghastliness. By following the “path of the prisoners” through the rooms where the victims were once processed, stripped, washed and punished, they get a sense of the full dimensions of the Nazi criminal enterprise.

But telling the story of the perpetrators is proving more difficult, even though a perfect opportunity lies next door. The SS camp adjacent to Dachau was once the main training-ground for many who went on to run the most notorious camps, including Auschwitz. But when its curators tried to reopen Dachau's gate, still bearing its sinister motto *Arbeit macht frei* (Work makes free), in order to direct visitors across the SS camp, they literally hit a wall. Citing traffic problems, the town's authorities refused to breach an earthen barrier separating the two camps; visitors must skirt the SS camp instead.

Homework meets disputation

Back in beautifully restored Munich, visible reminders are far fewer. No one would guess that the Bavarian capital was once what Hitler called the “capital of the movement”, or that the party was born here, and rose to power in its steamy beer cellars. After 1933, several parts of the Nazi administration were headquartered here; it became the centre of the party's quasi-religion. Both bureaucracy and cult lived side by side in Munich's Königsplatz, ringed by dozens of Nazi buildings, including Hitler's pompous “Führerbau”, in which the infamous Munich agreement was signed, and two “temples” to honour those killed in Hitler's failed 1923 putsch.

The main buildings found new tenants after the war, but the florid symbols of fascist mythology were dynamited. The Temples of Honour are now overgrown foundations; a lonely plaque is all that marks the spot. This “guarded approach to memory” is common in Munich, says Gavriel Rosenfeld, an American historian. Though he has counted over 110 memorials around the city, many are hidden from public view and often bear ambivalent inscriptions. A plaque to a resistance group called the White Rose, for example, is tucked away on a third floor and states, in Latin: “True courage shows itself in resistance to foreign dictatorship” .

As elsewhere, however, Munich has recently “started to do its homework”, says Lydia Hartl, the city's cultural commissioner. A permanent exhibit on Munich in the Nazi period has opened in the city museum; the cornerstone has been laid for a Jewish museum; and last summer an exhibition was mounted chronicling

For years, hawkers had peddled trashy

the expropriation of Jewish property. Nonetheless, Munich has so far failed to build the comprehensive Nazi documentation centre that many call for. Some fear it never will.

histories, replete with photographs of Hitler and his mistress taking the air

The reason is not so much a reluctance to confront the past, even if, as some say, the local dignitaries do not want to spoil the image of the “world city with heart”. The tortuous nature of German decision-making is more to blame. Argument raged at first over how best to commemorate this awful period—with a walking tour, a building dedicated to the history of Nazism, or an exhibit about Munich's specific role. Once the city council had opted, last April, for a Munich-only exhibit, more disputation arose over who should sit on the three advisory bodies for the project. Still unresolved is where it should stand, as well as how the bill should be split between the city, state and federal governments.

In Obersalzberg, two hours' drive east towards the Austrian border, everything is less complicated, if only because history has taken matters out of the hands of the Bavarian government. First, Hitler's mountain retreat, which by war's end had become a second seat of government, was largely destroyed by British bombers in April 1945. American forces used what remained as a recreation centre, and the summit eyrie, the Eagle's Nest, became a restaurant.

However, once the American army left in 1995, the authorities had to act quickly. From the moment it was bombed, Hitler's house, the Berghof, had attracted looters and, worse, become a shrine to neo-Nazis. For years, hawkers had peddled trashy histories, replete with photographs of Hitler and his mistress, Eva Braun, taking the Alpine air—in effect, keeping Nazi propaganda alive. A proposal for a memorial was rejected, as none of Hitler's victims had died, or even been forced to work, there. The Bavarian government instead opted for a solution that some have criticised as an attempt to bulldoze history: it tore down the Hotel Platterhof, once used for Hitler's guests, allowed a new hotel to go up at a safe remove and by 1999 had built a somewhat antiseptic documentation centre next to it.

Alamy

Nuremberg, 1930s

Whatever the motive, the result is not bad. The minute visitors enter, “We immediately confront the fascination with the critical framing that counteracts that fascination,” says Volker Dahm, the centre's director. Meaningless twaddle? Not quite: snapshots of Hitler with children and postcards of the idyllic retreat are framed with text explaining how such propaganda furthered his image as a folksy “man of the people”. There are accounts by Albert Speer, the Nazis' foremost architect, and others describing evenings at the Berghof as “excruciatingly dull”. Even while stepping inside the vast bunker complex—a kind of Nazi Tora Bora—visitors are prevented from indulging in titillating Nazi underground tourism: one room features tape recordings of Auschwitz survivors, another shows video of the carnage of the war. The documentation centre also delves deeper, providing on a computer not just profiles of Nazi leaders but the biographies of 250 lower-ranking officials.

Mile Cindric/Congresshall

Yet, all in all, the exhibit strains to do too much, offering far more information than can readily be absorbed, a failing it shares with Dachau and other commemorative sites. Young visitors in particular are

tempted to skip the exhaustive descriptions of Hitler's foreign policy and troop movements and head straight for the bunker. More generally, curators are now arguing over whether documentation centres should remain a collection of photographs, documents and explanatory material, or become more museum-like. As those who lived through the era die and their testimony is lost, many argue, the sites themselves have to speak more strongly.

Three hours north along the autobahn, Nuremberg provides a bold response. At the new documentation centre in the vast Kongressehalle at the Nazis' rally grounds, visitors are greeted by a seven-minute film taking them on a skateboard ride through time. Rolling through what is today a giant urban park, a young couple open doors and peer through windows into shots that fade into Hitler addressing worshipping crowds from the Zeppelin stands and waves of goose-stepping soldiers in the Luitpoldarena, the grove used for SS ceremonies.

Speer transfixed

The main exhibit, too, called Fascination and Violence, unrolls like a film. Each room creates a scene with music, video, objects and a few informational panels, beginning with the rise of the Nazis and ending with the Nuremberg trials. The bulk is devoted to the rally grounds, where the Nazis seduced hundreds of thousands with their mass events. Initial fascination is speedily undermined, however, as visitors move through rooms made successively narrower by metal plates, while the horrific consequences are projected along the sides. Form and content also merge in the architecture. Gunther Domenig, an Austrian architect, has virtually driven a glass-and-metal stake through the north wing of the massive brick congress hall. He calls it a *Speer im Speer*—a spear into Albert Speer.

The goal was not just to attract young people through dazzling design and audio-visual media. It was only logical to present the grounds' history using the theatrical vocabulary of the “media event” that the Nazis themselves used, says Hans-Christian Täubrich, the director of the centre. This means a certain loss of depth. But Mr Täubrich sees the exhibit as a way to interest people enough to make them ask questions, and the centre is unashamedly educational. It holds, for example, a continuous series of lectures in which *Zeitzeugen,* witnesses to the events, take part. They range from camp survivors to ex-soldiers and leaders of the Hitler Youth.

There is no end in sight to Germany's struggle to commemorate this past. Since the Holocaust memorial in Berlin will be dedicated to the murdered Jews, other groups who also suffered have demanded, and will soon get, recognition as well. Separate memorials to the homosexual and the Roma and Sinti (gypsy) victims are under way in central Berlin. And if Erika Steinbach, of the Federation of the Expelled, succeeds in her quest, a centre commemorating the forced expulsion of 12m Germans from eastern Europe will also be built.

Not surprisingly, Ms Steinbach's initiative has caused controversy. Critics say it is evidence of a worrying tendency to include the Germans themselves among Hitler's victims; examples range from the honouring of Waffen-SS soldiers among the war dead in Bitburg, during Ronald Reagan's visit in 1985, to a spate of recent accounts of German suffering in the bombing of Dresden and other cities. The new German film “The Downfall”, which chronicles Hitler's last, mad days in his Berlin bunker, leaves German viewers with a comforting view of their forebears' role—as tragic victims of a deranged leader who brought catastrophe upon the nation.

“In 20 years we will all be victims, but the brownshirts didn't fall from the sky”

“In 20 years we will all be victims,” comments Andreas Nachama caustically, “but the brownshirts didn't fall from the sky.” Mr Nachama runs the Topography of Terror and, if there is a danger that the Germans will move too quickly through any examination of their role as perpetrators, this exhibit should certainly help to reduce it. The Topography of Terror is an entire Berlin block, which once housed the headquarters of the Reich security services. This, a mere ten minutes' walk from the Holocaust memorial and not far from Hitler's bunker (long ago paved over by the Russians), is the closest thing that Germany has to a central site marking the role of the perpetrators. In close proximity here the Gestapo, SS and Reich security service organised terror and murder on a grand scale. On the remaining foundations, uncovered in the mid-1990s, an open-air exhibit describes the workings of the Nazi terror machine and provides profiles of its main actors—to show “the continuity of many careers after the war”, says Mr Nachama.

Where the Topography of Terror could do more is in explaining why the great majority of Germans played so willingly along, and just how easily ordinary burghers turned to mass murder. A few

concentration camps, such as Ravensbrück and Neuengamme, are opening stand-alone exhibits on the SS guards. At Sachsenhausen a new exhibit shows how much the town of Oranienburg really knew. Yet many sites, as their curators admit, have yet to incorporate the quantities of new research on the lower-level perpetrators, civil servants and ordinary businessmen who zealously carried out or profited from the Reich's racial policies.

On this point, the House of the Wannsee Conference, in Berlin's south-west suburbs, does an exemplary job. The villa, where 15 senior Nazis planned the “final solution”, was the first “perpetrator site” when it opened in 1992, and houses a graphic exhibition. It also offers intensive seminars for adults, in which soldiers, nurses and tax officials, for instance, learn precisely how their predecessors carried out Hitler's genocide, and discuss the lessons.

“We don't work with moral finger-pointing,” says Wolf Kaiser, who directs the educational programme. “It's our goal to bring people to reflect on institutional pressure and civil courage.” At seminars with members of Germany's border police, he reports, heated debate arises over such questions as when expulsion orders should be disobeyed. This approach is why Germany's new interest in the perpetrators should not be feared as a preliminary to condoning but as a necessary development to keep the worst from happening again. Or, as Mr Kaiser puts it: the duty of those who oversee the *Täterorte* is to “keep alive the awareness that vigilance for human rights can never be relaxed.”

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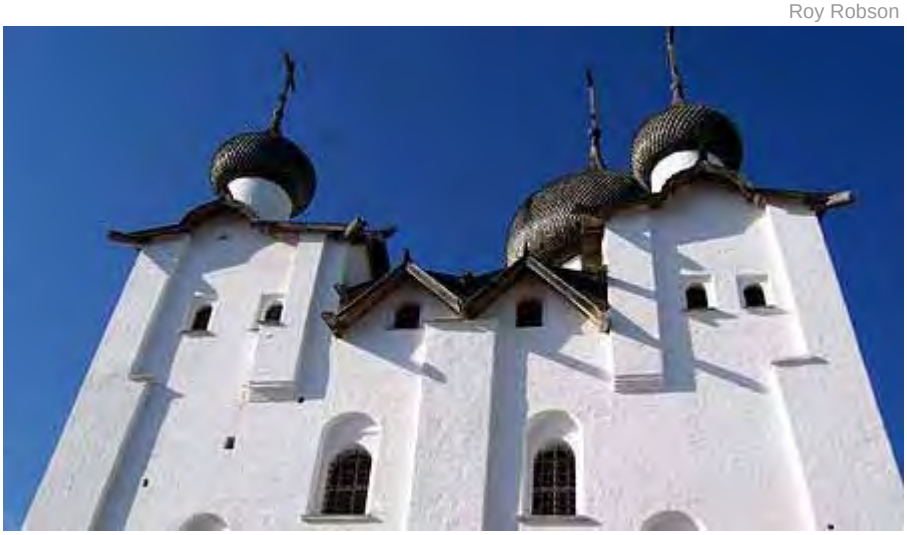
Monasteries of the Christian east

Where mammon meets God

Dec 16th 2004
From The Economist print edition

Roy Robson



The political and economic arts mastered by monks bent on saving a world they have renounced

TO A blasé modern traveller, the spectacle is impressive; to the eyes of pre-industrial man, the sight of the Solovetsky archipelago, looming above the waves, must have seemed like a miracle. To reach the main island, you have to sail due north from Russia's Arctic coast during the fleeting annual interlude of freedom from ice and snow. If you are lucky, you scud over a silvery, gently undulating sea. If not, your vessel must crash through high, crested walls of water.

Either way, you will, after a few hours, glimpse an extraordinary structure that steadily fills the horizon: a stone battlement of great thickness, turned orange by lichen, and inside it a group of huge, pale churches, all formidably solid but tapering towards dark, bulbous domes. What you see is a kremlin—a stronghold or citadel—that matches the famous one in Moscow: a bastion of mystery and power, designed to be impregnable against all comers. For most of the past 500 years, this has been a place of outstanding influence—economically, strategically, culturally and spiritually—in the far north of Russia.

The early settlement of the Solovetsky islands—often shortened to Solovki—took place in an atmosphere of simplicity and solitude. The story is that two monks rowed out to the archipelago in the year 1429. All they knew was that it offered good fishing and berries in summer, and probable death from cold after that. Somehow they established a year-round settlement. By the end of the next century, the big white churches had been built and, with 200 monks and 300 other dependants, Solovki had become one of Russia's main religious institutions.

Its first benefactors were the bishops and notables of Novgorod, a mercantile city-state that dominated the northern Slavic lands. They endowed the monastery with fields, forests and lakes, which guaranteed an abundant income from fish and fur. When Moscow's rising power crushed Novgorod, Solovki's monks adapted nimbly. Indeed, they were soon playing a role in Muscovite high politics. Their great 16th-century abbot, St Filipp, was an envoy from Moscow who died a martyr after denouncing the murders committed by Ivan the Terrible. In each subsequent century, Solovki was to see odd twists of fate. Its resistance to church reforms led, in 1675, to a seven-year siege that ended only when the tsar's forces burst in.

The archipelago and the Gulag

Under Peter the Great and his westernising successors, Russia's monasteries in general were curtailed. But the emperor developed a soft spot for Solovki when he washed up there after surviving a White Sea storm—and realised it would be a handy place to lock up his enemies. In 1854 the monastery became a bastion of Russian pride after the monks had fought off a British naval siege. And in the final years of tsarism, Solovki became a showpiece not only of piety and patriotism, but of technology—with an electric-power station and radio telegraph.

The 20th century was by far the blackest one in the islands' history: the Soviet regime turned them into a place of incarceration and forced labour where thousands of people died horrible deaths. This was the first link in a network of camps that Alexander Solzhenitsyn named the Gulag archipelago. Only in the past 20 years or so have a couple of dozen monks resumed the daily cycle of worship. Now Solovki is again a popular destination for pilgrims, history buffs and nature-lovers.

With its mix of spiritual and earthly power, Solovki is an extraordinary spot, but it is not unique. Run your finger straight down the map, almost to the equator, and you will find a string of similar places: religious institutions on the eastern edge of the Christian world that managed, until the early 20th century, to cope well with the paradox at the heart of their existence. They were communities that enjoyed influence and wealth—although their individual members had, in theory and often in practice, given up personal ambition and property.

Due south of Solovki are the two other great monasteries of medieval Russia: Belozersk on the shores of the White Lake, Sergiev Posad just outside Moscow. Cross the Black Sea and you reach north-eastern Turkey, where three great monasteries used to dominate the lives of thousands of small farmers. The most famous, Panayia Soumela, is as spectacular as Solovki: it hugs a cliff-face about 300 metres (1,000 feet) above a wooded valley.

Travel on southwards until you encounter the eerie desolation of the Judean desert and there, honeycombed into a dramatic ravine, are the cells of St Sabas monastery, which used to exercise vast influence over the eastern Christian world. Farther to the south, and a little to the west, lies the prototype for Solovki: the monastic fortress on Mount Sinai where a retreat for a few hermits was converted by imperial fiat into a mighty stone redoubt, over 900 years before a similar transformation took place in the Russian Arctic. Lastly, in the highlands and lake isles of Ethiopia, monasteries still exist where the copying of holy texts, on animal-hide vellum, continued into modern times.

The secular century

For all these places, the encounter with the modern world has been traumatic, and sometimes terminal. But until the dawn of the 20th century, most of them were functioning rather well. Having made only tactical concessions to modernity, they would have been recognisable to their founders. Apart from a rigorous routine of prayer, their masters shared some other qualities that helped them survive. They were adept at anticipating, and adapting to, changes of political regime; and they were shrewd managers of their assets.

How did these eastern outposts compare with their equivalents in western Europe? First, the medieval west saw the rapid growth of new monastic orders in which a particular model of communal life was franchised across many countries. In the east, by contrast, where all monks followed the same rule, it was individual houses that grew powerful. Second, monasteries in the west lost the contest for wealth and political power much earlier than their eastern counterparts. From the dissolution of England's abbeys in the 16th century to the anti-clerical fervour of revolutionary France, west European history reads like a gradual victory for secular power over theocracy. Russia

moved that way in the 18th century, but the monks resisted. They even managed to produce a last flowering of their mystical tradition on the eve of the revolution.

All over the Christian east, in fact, the monks adapted successfully to one tsar, or Ethiopian emperor, after another; and some were as adept at dealing with Ottoman sultans as they had been with Christian rulers. The 20th century, however, was different. Almost every monastery in Russia was wrecked by the Bolsheviks; the Black Sea abbots and their flocks were moved westwards under the population swap that followed a decade of Greek-Turkish war; the monasteries of the Middle East have had to hunker down in wars between Arabs and Israelis; and the monks of Ethiopia died in their thousands in the red terror of the 1970s.

Run your finger down the map, and you will find a string of similar institutions on the eastern edge of the Christian world

Even after all these travails, though, eastern monasticism is far from dead—and in Mount Athos, the all-male “monastic republic” that occupies a finger of land in northern Greece, it has recently had a spectacular revival. But from northern Russia to the Middle East, the sight of ruined churches, empty refectories and defaced frescoes is a poignant image of modernity's effects on places whose ability to adapt has been impressive, but not infinite.

Now that the glory days—in material terms, at least—of the eastern monks seem to be past, historians are left with a double question: how did they become so rich and powerful, and how can their wealth and power be reconciled with their devotion to self-denial and poverty?

To worldly eyes, Solovki and its counterparts in other latitudes seemed to move away, rather quickly, from the heritage of their spiritual forebears—mystics who felt a calling to lonely places where they could fight the demons and resanctify the Earth. These warriors of the spirit had pledged to surrender their earthly lives and imitate the angels: to become creatures whose purpose was to praise God, intercede for mankind and love creation with new, selfless eyes. This ideal was proclaimed in Egypt in the third century after Christ; then, it is said, a young man called Antony was inspired by biblical teaching to forsake his inheritance for a life of solitude and prayer. Soon his disciples had drawn thousands of people to the desert.

But human beings, however determined not to live on bread alone, cannot live without bread either. And as monastic communities grew larger and more sophisticated, the need for a material base, as a Marxist would say, grew more acute. How was this achieved? By persuading emperors and other powerful folk that their prayers for the living and the dead were effective and therefore deserved to be supported with land and other privileges: that is one answer. But land still had to be translated into a steady, rising income. Indeed, the monasteries required wealth of the kind that would give them a degree of independence and ensure survival when the emperor changed.

Each great monastery achieved that in a different way. In the case of Solovki, a key to its huge wealth, along with furs and fish, was salt. As Roy Robson, an American historian, shows in his book, “Solovki”, the monastery had all the things needed to produce salt on a large scale: land, labour, timber and engineering skills. The raw material was not the sea itself, but highly saline water far below the ground. Once these briny springs had been found, the monks would burrow as deep as 60 metres down. Their drill consisted of a long wooden pole with an iron tip that was repeatedly dropped from a great height into a deepening hole, until salty liquid gushed up to the surface. This was then channelled through earthenware pipes into a boiler house, where it flowed into shallow pans that were heated till only pure salt remained. This “white gold” was then sold—two tonnes of the stuff in 1639, for instance—in the markets of northern Russia. As Mr Robson puts it: “Salt bought fur for coats and silk for vestments. Salt imported gold leaf for icons. Salt made the ‘desert’ of Solovki bloom.”

Amberin Zaman

Panayia Soumela

Similarly, the monasteries of the Pontus highlands near Turkey's Black Sea coast would not have thrived for more than 1,000 years had their monks not been careful managers of their property, and shrewd judges of politics. As Anthony Bryer, a British historian, has pointed out, the Pontus mountains were the only bit of Anatolia where the estates of the Byzantine monasteries stayed intact under the Ottomans. Elsewhere, monasteries lost their lands—often to Muslim religious foundations—as Ottoman rule took hold. But in the Black Sea region, a web of intermarriages and alliances between the Christian dynasty of Trebizond and the area's new masters helped ensure that the abbots of Pontus continued to be co-managers of the territory, and their tenants kept the Christian faith.

From the 18th century onwards, Panayia Soumela enjoyed a surge of prosperity, through a partnership with the nearby silver mines. Like the monasteries, the mines were an institution that the Ottomans left under Christian management as long as a decent share of the revenue reached the sultan. The monks obliged the mines by providing labour—not just miners, but charcoal-burners and smelters—from their estates. Today Panayia Soumela is an empty, albeit fascinating, shell. Its most prized icon has been taken to Veria in Greece, where it forms the centrepiece, every August, of emotional celebrations by Greeks from the Black Sea region.

Sanctity and survival

Nikolas Bakirtzis

To see a living example of a monastery that survived both Ottoman rule and modernity, travel to another forested mountainside—outside the northern Greek town of Serres. Entering the walled monastery of St John the Baptist on Mount Menoikeion, you might be stepping into the 13th century, when it was founded. You enter a church whose aura of sanctity has always dazzled pilgrims: icons glowing in candle-light, silver cases full of holy relics.

St John the Baptist

Here, too, is a place that knew how to translate spiritual authority into economic power, says Nikolaos Bakirtzis, a scholar at Princeton University. In the twilight of Byzantium, the monastic estates were the breadbasket for a shrunken realm, and they were treated with respect by every contender in the empire's power struggles. In the mid-14th century, when the region was overrun by the Serbs, the place did equally well under their stewardship. And later, when the Ottomans took over the whole area, the monastery's land was protected by a Serb princess, Mara Brankovic, who was stepmother to Mehmet, the conqueror of Istanbul in 1453.

This was not, in fact, the first contact between a prudent community and the region's rising power. At least from the late 14th century, the monks were in friendly touch with the Ottomans; they knew where the wind was blowing.

In the centuries that followed, they husbanded their resources so as to survive lean years. They had some luck in the 19th century: the American civil war boosted prices for tobacco and cotton, and revenue from their estates soared. The monastery's latest occupants are 30 nuns, who produce organic olive oil

and religious trinkets. It still feels like a place whose stewards are practical as well as spiritual.

But, at the height of the Byzantine system, were these monasteries “progressive” landlords? Not especially, at least when they became overstretched by estates that were too far-flung to manage, argues Mr Bryer. However, the degree to which monasteries fostered economic progress varied greatly from century to century. In the first Christian millennium, Europe's monasteries were often the only places to discover new farming techniques, just as they were the only bastions of literacy and systematic learning. In Solovki, the monks were masters of water engineering; their underground pipes even made it possible to grow exotic fruit.

Why, in economic terms, were some monks satisfied with the status quo, while others were more innovative? It helps to recall that economic progress was never an end in itself; everything was subordinated to sustaining the life of the monastery. This reality was blurred by the public-relations skills of the monks, who were good at promoting themselves in the eyes of worldly masters—by advertising their cultural, economic or strategic utility. At bottom, though, they never saw worldly prosperity, or success in worldly affairs, as their main aim. Self-sufficiency, not development in the modern sense, was always their ideal.

Peter Brown, the doyen of religious historians at Princeton University, gives a striking account of what early eastern monks thought they were doing. They “did not abandon the world, in the sense of severing all connection with it. Rather, in the imagination of their contemporaries, they transformed its wild edges. They ringed a careworn society with the shimmering hope of paradise regained. Having drained from themselves all hint of the dark passions that ruled the world, they validated the world by constantly praying for it.”

With ideals as lofty, and as other-worldly, as that, the eastern monks were willing to make whatever compromise was necessary with the expediencies of Earthly power to keep themselves in business. It was an act they more or less pulled off, until the 20th century threw them off balance. In a sense, however, modernity has taken the eastern monks back where they started. Their liturgy has always emphasised plucking new life out of death: redeeming the lifeless and demon-infested world of the “desert” and making it bloom like Eden.

In the rich, urban monasteries of late Byzantium, mired in power games, such language may have had a hollow ring. But think how it sounds on Anzer island in the Solovetsky archipelago. This is where, after an epidemic in 1929, prisoners were tossed into a mass grave, below a church named Golgotha where a tree grows naturally in the shape of a cross. In a place so drenched in suffering, the language of death does not have to be hammed up or invented. It is difficult to believe that anything can now bring light and life to such a spot. But, if anything can, it may be monastic prayer.

Roy Robson

In Golgotha's shadow

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The end of the world

A brief history

Dec 16th 2004
From The Economist print edition

Why do end-of-time beliefs endure?

Bridgeman

The shape of things to come

A VERICHIP is a tiny, implantable microchip with a unique identification number that connects a patient to his medical records. When America's Food and Drug Administration recently approved it for medical use in humans, the news provoked familiar worries in the press about privacy-threatening technologies. But on the notice boards of raptureready.com, the talk was about a drawback that the FDA and the media seemed to have overlooked. Was the VeriChip the “mark of the beast”?

Raptureready.com runs an online service for the millions of born-again Christians in America who believe that an event called the Rapture is coming soon. During the Rapture, Christ will return and whisk believers away to join the righteous dead in heaven. From there, they will have the best seats in the house as the unsaved perish in a series of spectacular fires, wars, plagues and earthquakes. (Raptureready.com advises the soon-to-depart to stick a note on the fridge to brief those left behind—husbands, wives and in-laws—about the horrors in store for them.)

Furnished with apocalyptic tracts from the Bible, believers scour news dispatches for clues that the Rapture is approaching. Some think implantable chips are a sign. The Book of Revelation features a “mark” that the Antichrist makes everybody wear “in their right hand, or in their foreheads”. Rapturists have more than a hobbyist's idle interest in identifying this mark. Anyone who accepts it spends eternity roasting in the sulphurs of hell. (And, incidentally, the European Union may be “the matrix out of which the Antichrist's kingdom could grow.”)

Christians have kept faith with the idea that the world is just about to end since the beginnings of their religion. Jesus Himself hinted more than once that His second coming would happen during the lifetime of His followers. In its original form, the Lord's Prayer, taught by Jesus to his disciples, may have implored God to “keep us from the ordeal”.

Men have been making the same appeal ever since. In 156AD, a fellow called Montanus, pronouncing himself to be the incarnation of the Holy Spirit, declared that the New Jerusalem was about to come crashing down from the heavens and land in Phrygia—which, conveniently, was where he lived. Before long, Asia Minor, Rome, Africa and Gaul were jammed with wandering ecstatics, bitterly repenting their sins and fasting and whipping themselves in hungry anticipation of the world's end. A bit more than a thousand years later, the authorities in Germany were stamping out an outbreak of apocalyptic mayhem among a self-abusing sect called the secret flagellants of Thuringia. The disciples of William Miller, a 19th-century evangelical American, clung ecstatically to the same belief as the Montanists and the Thuringians. A thick strand of Christian history connects them all, and countless other movements.

Don't get left behind

Apocalyptic belief renews itself in ingenious ways. Belief in the Rapture, which enlivens the familiar end-of-time narrative with a compellingly dramatic twist, appears to be a modern phenomenon: John Nelson Darby, a 19th-century British evangelical preacher, was perhaps the first to popularise the idea. (Darby's inspiration was a passage in St Paul's letter to the Thessalonians, which talks about the Christian dead and true believers being “caught up together” in the clouds.) It is not easy to say how many Americans believe in Darby's concept of Rapture. But a dozen novels that dramatise the event and its gripping aftermath—the “Left Behind” series—have sold more than 40m copies.

New apocalyptic creeds have even sprung from those sticky moments when the world has failed to end on schedule. (Social scientists call this “disconfirmation”.) When the resurrected Christ failed to show up for Miller's disciples on the night of October 22nd 1844, press scribblers mocked the “Great Disappointment” mercilessly. But even as they jeered, a farmer called Hiram Edson snuck away from the vigil to pray in a barn, where he duly received word of what had happened. There had been a great event after all—but in heaven, not on Earth. This happening was that Jesus had begun an “investigative judgment of the dead” in preparation for his return. Thus was born the Church of Seventh-day Adventists. They were not the only ones to rise above apparent setbacks to the prophesies by which they set such store: the Jehovah's Witnesses of the persistently apocalyptic Watchtower sect survived no fewer than nine disconfirmations every few years between 1874 and 1975.

Which way to Armageddon?

Getty Images

Getting ready in 1967

Why do end-of-time beliefs endure? Social scientists love to set about this question with earnest study of the people who subscribe to such ideas. As part of his investigation into the “apocalyptic genre” in modern America, Paul Boyer of the University of Wisconsin asks why so many of his fellow Americans are “susceptible” to televangelists and other “popularisers”. From time to time, sophisticated Americans indulge the thrillingly terrifying thought that nutty, apocalyptic, born-again Texans are guiding not just conservative social policies at home, but America's agenda in the Middle East as well, as they round up reluctant compatriots for the last battle at Armageddon. (It's a bit south of the Lake of Galilee in the plain of Jezreel.)

Behind these attitudes sits the assumption that apocalyptic thought belongs—or had better belong—to the extremities of human experience. On closer inspection, though, that is by no means true.

Properly, the apocalypse is both an end and a new beginning. In Christian tradition, the world is created perfect. There is then a fall, followed by a long, rather enjoyable (for some) period of moral degeneration. This culminates in a decisive final battle between good (the returned Christ) and evil (the Antichrist). Good wins and establishes the New Jerusalem and with it the 1,000-year reign of King Jesus on Earth.

This is the glorious millennium that millenarians await so eagerly. Millenarians tend to place history at a moment just before the decisive final showdown. The apocalyptic mind looks through the surface reality of the world and sees history's epic, true nature: “apocalypse” comes from the Greek word meaning to uncover, or disclose.

Norman Cohn, a British historian, places the origin of apocalyptic thought with Zoroaster (or Zarathustra), a Persian prophet who probably lived between 1500 and 1200BC. The Vedic Indians, ancient Egyptians and some earlier civilisations had seen history as a cycle, which was for ever returning to its beginning. Zoroaster embellished this tepid plot. He added goodies (Ahura Mazda, the maker and guardian of the ordered world), baddies (the spirit of destruction, Angra Mainyu) and a happy ending (a glorious consummation of order over disorder, known as the “making wonderful”, in which “all things would be made perfect, once and for all”). In due course Zoroaster's theatrical talents came to Christians via the Jews.

AFP

Raelians don't dig God

This basic drama shapes all apocalyptic thought, from the tenets of tribal cargo cults to the beliefs of UFO sects. In 1973, Claude Vorilhon, a correspondent for a French racing-car magazine, claimed to have been whisked away in a flying saucer, in which he had spent six days with a green chap who spoke fluent French. The alien told Mr Vorilhon that the Frenchman's real name was Rael, that humans had misread the Bible and that, properly translated, the Hebrew word *Elohim* (singular: *Eloha*) did not mean God, as Jews had long supposed, but “those who came from the sky”.

The alien then revealed that his species had created everything on Earth in a space laboratory, and that the aliens wanted to return to give humans their advanced technology, which would transform the world utterly. First, however, Rael needed financial contributions to build the aliens an embassy in Jerusalem, because otherwise they would not feel welcome (a bit lame, this explanation). Although the Israeli government has not yet given its consent, the Raelians—those persuaded by Rael's account—continue to welcome donations in anticipation of a change of heart.

Corbis

...they dig Rael, aka, Vorilhon, back from the sky

The Raelians' claim to be atheists who belong to the secular world must come as no surprise to Mr Cohn, who has long detected patterns of religious apocalyptic thought in what is supposedly rational, secular belief. He has traced “egalitarian and communistic fantasies” to the ancient-world idea of an ideal state of nature, in which all men are genuinely equal and none is persecuted. As Mr Cohn has put it, “The old religious idiom has been replaced by a secular one, and this tends to obscure what otherwise would be obvious. For it is the simple truth that, stripped of their original supernatural sanction, revolutionary millenarianism and mystical anarchism are with us still.”

Nicholas Campion, a British historian and astrologer, has expanded on Mr Cohn's ideas. In his book, “The Great Year”, Mr Campion draws parallels between the “scientific” historical materialism of Marx and the religious apocalyptic experience. Thus primitive communism is the Garden of Eden, the emergence of private property and the class system is the fall, the final gasps of capitalism are the last days, the proletariat are the chosen people and the socialist revolution is the second coming and the New Jerusalem.

Bridgeman

It's this or redemption

Hegel saw history as an evolution of ideas that would culminate in the ideal liberal-democratic state. Since liberal democracy satisfies the basic need for recognition that animates political struggle, thought Hegel, its advent heralds a sort of end of history—another suspiciously apocalyptic claim. More recently, Francis Fukuyama has echoed Hegel's theme. Mr Fukuyama began his book, “The End of History”, with a claim that the world had arrived at “the gates of the Promised Land of liberal democracy”. Mr Fukuyama's pulpit oratory suited the spirit of the 1990s, with its transformative “new economy” and free-world triumphs. In the disorientating disconfirmation of September 11th and the coincident stockmarket collapse, however, his religion has lost favour.

The apocalyptic narrative may have helped to start the motor of capitalism. A drama in which the end returns interminably to the beginning leaves little room for the sense of progress which, according to the 19th-century social theories of Max Weber, provides the religious licence for material self-improvement. Without the last days, in other words, the world might never have had 65-inch flat-screen televisions. For that matter, the whole American project has more than a touch of the apocalypse about it. The Pilgrim Fathers thought they had reached the New Israel. The “manifest destiny” of America to spread its providential liberty and self-government throughout the North American continent (not to mention the Middle East) smacks of the millennium and the New Jerusalem.

Science treasures its own apocalypses. The modern environmental movement appears to have borrowed only half of the apocalyptic narrative. There is a Garden of Eden (unspoilt nature), a fall (economic development), the usual moral degeneracy (it's all man's fault) and the pressing sense that the world is enjoying its final days (time is running out: please donate now!). So far, however, the green lobby does not appear to have realised it is missing the standard happy ending. Perhaps, until it does, environmentalism is destined to remain in the political margins. Everyone needs redemption.

Watch this spacesuit

Noting an exponential acceleration in the pace of technological change, futurologists like Hans Moravec and Ray Kurzweil think the world inhabits the “knee of the curve”—a sort of last-days set of circumstances in which, in the near future, the pace of technological change runs quickly away towards an infinite “singularity” as intelligent machines learn to build themselves. From this point, thinks Mr Moravec, transformative “mind fire” will spread in a flash across the cosmos. Britain's astronomer royal, Sir Martin Rees, relegates Mr Kurzweil and those like him to the “visionary fringe”. But Mr Rees's own darkly apocalyptic book, “Our Final Hour”, outdoes the most colourful of America's televangelists in earthquakes, plagues and other sorts of fire and brimstone.

Bridgeman

Introducing “manifest destiny”

So there you have it. The apocalypse is the locomotive of capitalism, the inspiration for revolutionary socialism, the bedrock of America's manifest destiny and the undeclared religion of all those pseudo-rationalists who, like *The Economist*, champion the progress of liberal democracy. Perhaps, deep down, there is something inside everyone which yearns for the New Jerusalem, a place where, as a beautiful bit of Revelation puts it:

> God shall wipe away all tears from their eyes; and there shall be no more death, neither sorrow, nor crying, neither shall there be any more pain; for the former things are passed away.

Yes, perhaps. But, to be sure, not everyone agrees that salvation, when it comes, will appear clothed in a shiny silver spacesuit.

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Mule-packing

Diamonds on the trail

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Bridgeman

New uses for an old pastime

MOUNTAIN beats car; mule beats mountain. In California, where car is king, there are still roads for which the most fearsome SUV is no match. But where Humvees fear to tread, fools rush in. Meet the mule-packer.

A hard man from the distant past has found his last redoubt in the craggiest pockets of the Sierra Nevada—the upturned “snowy sawblade” that separates California's coastal valleys from the western cattle lands. Today's packer is a mountain man, and he lives to pack. That means packing cargo into evenly weighted loads, heaving these packs on to the backs of animals, then tying them down with a “diamond hitch” and riding up a trail with a single-file pack train in tow.

To take full advantage of natural four-legged locomotion, the packer must trust a beast's back with a cargo of dead weight. This is no mean feat. The draught animal has it easy; it needs merely to pull. The steed that bears a human rider enjoys constant supervision and the benefit of a self-balancing load. Boxes and bags have a much harder time staying atop their mounts, especially over rocky trails. If they are going to make it, someone needs to invest some foresight, not to mention care. As a member of the American army's mule-packing service once wrote, the packer “is not on the animal's back all the time with spur and bit to hold him in hand and therefore confidence, and affection, if possible, should be established by uniform kindness.”

The packer and his animal were once needed to cross rugged country of any kind. They have seen their domain shrink, but they hold their own in the highest, roughest patches of the Earth's surface. Even there, the helicopter has encroached. Yet steep gorges, national-park regulations and the thin air of high altitudes mean that horse and mule are the only vehicles fit for many of these places.

Happily for the plainsman, the modern packer is able to bring company. Most visitors these days come as tourists, up for the sights, the camping and walking. Each of a pack train's sure-footed mules hauls a load of 70 kilos (150lb) or so, leaving the visitors—or “dudes”—free to ride along rearguard on mild-mannered horses. In this fashion, packers transport huge, well-sustained camps of mountain-loving dudes to gleaming and remote fastnesses.

Packers tend to be hired by outfits called pack stations, which are run by pack masters. Stations along most mountain ranges keep ranches in the valley, where their herds pasture in the winter, as well as high-country corrals and docks, where they assemble and load pack trains throughout the summer and

autumn. Thanks to the pack team's careful labour, the campers should enjoy the benefits of a cast-iron kitchen, fresh eggs, gas-powered lanterns for night-time reading, perhaps camera equipment or telescopes and a bottle or two. In short: the fruits of civilisation, to go with the silence.

Stubborn men, stubborn beasts

Most dudes travel in a leisurely way, as fishermen or big-game hunters or amateur astronomers, though others, such as rescue teams and surveyors, may need the packer urgently. Whatever their mission, they tend to enjoy themselves on the way up, which helps to keep the modern packer in business and thus to sustain his way of life.

He is a grizzled old fellow (less often a young one), bow-legged and squinty, wearing a dusty hat with a wide brim, buckskin riding gloves, his own style of fringed, lace-up cowboy boots and perhaps scuffed chaps and a slicker (oilskin). The packer is taciturn, but an elegantly thrown hitch or a well-shod hoof will warm his heart. More than anything else, the packer's work is hard, and he feels free to let the world know. He is crabby and ever straining to conceal his love for the trail.

The town of Bishop, in California, is a hub for the packing business. Tucked into the sheer eastern slope of the Sierra, Bishop and the surrounding Owens Valley lie within an easy day's ride of the up-country base camps where the paved road ends. Another day's ride will bring a fully loaded pack train through protected forests, briefly above the tree line and then down into the Paiute Basin.

The packer is taciturn, but an elegantly thrown hitch or a well-shod hoof will warm his heart

“Mule Days”, observed in Bishop every Memorial Day weekend, is the world's largest annual celebration of the sturdy beast. But as mules are loved in many places, so packers work them around the world. Tourists hire them in the Swiss Alps and in the Peruvian Andes; Asian armies keep them in active brigades in the Himalayas; and prospectors, miners and rangers need their stout diamond-hitches to cross mountain ranges everywhere.

Sons of Genghis Khan, they say

By the time packing reached the mountains of western North America, it had come a long way. Packers like to hearken back to Genghis Khan as a forebear. The Mongol armies of the 13th century were a tough bunch, and they inherited the world's most thoroughgoing horse culture, but it cannot be said for sure that they were strictly packers. What is agreed is that the hordes were able to move at overwhelming speed over huge distances.

It was not, however, until packing began to cross continents that it became the wonder that it is today. Over 1,000 years before the Mongols made it to Europe, the Greeks and Romans had discovered one of the most important ingredients in the world's most powerful pack trains: the cross-bred, cross-continental miracle of the mule. Each mule is made by mating the domesticated donkey, *Equus asinus* of Africa, with the horse, *Equus caballus*, native to Asia. Specifically, a mule is the infertile offspring of a male donkey, or “jack”, with a mare.

Corbis

Treat with kindness

The mule combines the best features of the donkey with the best features of the horse. Muscular and strong, it has a tougher hide and rubbery hooves, and it resists the horse's temptation to panic. This is allied to a keen sense of self-preservation—what some ingrates call “stubbornness”—which happens to be the packer's best friend.

The main ingredients of the modern mule train first coalesced in medieval Spain, with the addition of yet another far-flung influence. When Arab and Berber Moors invaded Granada in 711AD, they brought the Arabian heritage of an immensely developed camel culture. The camel can be rigged and tied up in as many different ways as an ocean-going galley. The evidence suggests that something in the

combination of innate camelmanship, the rocky interior of southern Spain and its fine native mule stock sparked the genius that would eventually unlock the mountain ranges of the New World.

It was in Spain, at any rate, that the saddlery distinctive of the diamond-hitched load first came into being—the *aparejo*, as it is still called, being the simplest of all. Along Spain's own, much smaller, Sierra Nevada, the Moors laid the *camino real*, the mule routes that criss-cross the highlands. Moorish traders plied the *camino* even after Isabella and Ferdinand reconquered Granada in 1492 with a supply chain built on the backs of 14,000 pack mules.

Some say the expulsion of these industrious Moors set in motion the decline of Spain as a world power. Fortunately for Spain, ten years earlier Christopher Columbus had opened the New World to mule-packing. In 1495, during his second voyage across the Atlantic, he brought four jacks and two jenny donkeys to the island of Hispaniola. This small braying lot was to produce the mules that the conquistadors rode across two continents, their offspring arriving in Mexico ten years after the defeat of the Aztecs. Balboa's mules crossed the isthmus at Panama in 1513, and Pizarro mounted the Andean spine in 1530. As Spanish steel beat Incan arrows, so the mule overpowered the llama of the Andes.

Bridgeman

Coalescing in Spain

Packing then made its way north of the Rio Grande and pack culture adopted a series of half-twists in keeping with the burgeoning world of New Spain. Spanish and Mexican heritage is to be seen everywhere in the tack and lingo of the *norteamericano* packer: in his *aparejo* saddle; in the alternative word for “packer”, *arriero*—Spanish for “gee-upper”; in the name and shape of a pack animal's tarpaulin, the “manty”, from *mantilla*; and in the decoration of the early American packsaddle.

In the western half of the continent, Mexican packers met English and French trappers and explorers, and traded their packing tricks. Several of the niftier knots and straps that made their way into the factory-made riggings of the 19th century are identical in function and name to those of earlier British seafarers. American Indians left their signature, too. Any American packer knows how to tie a “squaw hitch” or how to turn a pack horse into a draught horse by means of a quick travois.

It is the diamond hitch, though, that really counts. Working in a two-man team, on opposite sides of the animal, packers sling a pair of manty-wrapped loads to the sides of a mule's *aparejo* and lay a 12-15-metre (40-50ft) lash rope gently across his creature's back. Then, in an instant, the port-side packer throws the hooked end of the rope over the mule's starboard side, his partner catches it, turns it round, and a 16-step dance begins. Charles Post, of the American army, claims that, ideally, “there appears a conjurer's rope that seems to fairly flow in even coils through the mazes of an intricate hitch, suddenly to grow rigid as the mule grunts while the watch has ticked off but 50 seconds.” And so, with more or less effort, there lands the diamond, so called because of the rhomboid shape left open between the ropes at the top of the animal's back.

The mule is given a minute to catch his breath, while the rest of the team is rounded up, loaded and lashed. Then each is recinched, ropes are tightened and a personality-adjusted order is formed among the ranks. Four or five mules long, a string is fashioned, each mule's halter tied to the rear of the next mule's *aparejo*. In the end it is time to mount and gee-up, to become the *arriero*. Part Mongol, Roman, Arab, Spaniard, Mexican, '49er, the man who throws diamonds on the high trail is ready to sit in his saddle and settle in to the pokey, grunting, clopping rhythm of a pack train on the move.

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Powerful women in Africa

Strong stuff

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AP

Sometimes love does indeed conquer all

ONE day last January, the west African representatives of the world's press were called to a concrete house in the Liberian capital, Monrovia, by a large lady named Ayesha Conneh. There was something Mrs Conneh (above) wished to get off her chest. The rebels who had recently seized power in Liberia were not, as advertised, commanded by her husband, she said. Rather, she was the “boss lady”—and her husband and deputy, Sekou Conneh, a former second-hand-car salesman, was facing the sack. “I put him there as chairman,” said Mrs Conneh gruffly, dandling a baby in her capacious lap. “If you open a big business and put your husband in charge, if you see that things are not going the right way, you step him aside and straighten things up.”

Mrs Conneh's words caused a stir, not least at the United Nations, which was then launching the world's biggest peacekeeping mission in Liberia. UN experts thought Mr Conneh was in charge of Liberians United for Reconciliation and Democracy (LURD), a rebel group that had toppled a crazy tyrant, Charles Taylor, in 2003. They had persuaded Mr Conneh to share power with other rebels and bring peace to his ruined land. Now his wife seemed to be threatening war.

Mr Conneh insisted he remained LURD's leader. But his senior commanders preferred Mrs Conneh, and said so, setting off fighting that claimed several lives. To the UN's relief, Mrs Conneh, who calls herself the “Mother of Peace” as well as the “Iron Lady”, let her husband keep his job. But no one now doubts who is boss in Liberia.

Few Liberians doubted it before. It had been Mrs Conneh who had made LURD so potent, by persuading the ruler of neighbouring Guinea, Lansana Conté, to arm it; and it was through her that the guns had been channelled to the rebels, who were then, in 1999, unleashed on Mr Taylor. Mrs Conneh had found favour with Mr Conté after fleeing to Guinea as a refugee, and prospering there as a soothsayer. In 1996 she had correctly predicted that a coup would soon be attempted against Mr Conté, after which he had adopted her as his daughter.

In fairness to the UN, it must have been hard to imagine that Mrs Conneh would command such loyalty. Africa has had female ministers, female chiefs, female warriors and even, briefly, in Liberia, a female acting leader. In 1981 King Sobhuza II of Swaziland made his senior wife, the “Great She-Elephant”, Dzeliwe Shongwe, joint head of state, a title he later revoked. But no modern African state has been ruled by a woman—to Africa's cost, say students of development. In Africa, they sigh, women bring up children, draw water, turn the earth and stir the stew, while men make merry and make war. The excesses of Africa's post-colonial dictators—the “big men”—have ravaged the continent. Only the efforts of millions of small women have saved it from greater ruin.

Figures of substance

That is only partly true, because Mrs Conneh is far from unique. In fact, behind many an African big man has been a substantial woman. Often, these ladies have tussled with their husbands for power, and sometimes won. As for their excesses, some could make a wanton big man blush. Take one serving African first lady, whose dictator-husband married her to mask his homosexuality. Or consider the former first lady who ran an extensive cocaine operation. Or she who took a photograph of her murdered husband's corpse and sold it to an American newspaper. More could be said but, alas, big African ladies have big London lawyers.

Of course, it is not only in Africa that extravagant first ladies can be found. Imelda Marcos tried to turn the Philippines into a giant shoe-rack. Neither have many continents been spared their Ladies Macbeth, such as Romania's Elena Ceausescu. Yet, for consistent big shopping and big ambitions in the office of the first lady, the poorest continent stands alone. In Africa, chaotic and corrupt, where proximity to power is paramount, first ladies can wield greater influence than any minister. And in male-chauvinist Africa, where most conventional paths to power are closed to women, what else is an ambitious girl to be? Compared with other big women, Africa's are bigger.

For consistent big shopping and big ambitions in the office of the first lady, the poorest continent stands alone

It's a steal

They may also be a useful indicator of the state of their nation. Sally Mugabe mirrored the qualities of her husband, Robert, when he struggled to power in Rhodesia, or Zimbabwe, as he renamed it. She was bright, scholarly, pan-Africanist—a Ghanaian, who opened diplomatic channels to west Africa. But as Robert grew demented, his taste in women changed. While Sally lay dying of kidney disease, he lay with a secretary 40 years his junior. A creature of surpassing greed, Grace Mugabe appears to have been shopping, in the boutiques of Europe and Asia, ever since.

Mrs Mugabe's trips to Europe have now been cruelly curtailed by an EU travel ban. So she has started collecting other people's farms. The wife of a white farmer, having been turned out by Mrs Mugabe last year, said: “My goodness, she is getting a lovely home.” Not that the first lady needed it: she already had several farms and a breathtakingly vulgar mansion, called Graceland.

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Only one African leader seems to have jibbed at his wife's excesses: Nelson Mandela. In 1990 he walked to freedom with Winnie, his second wife, on his arm. In 1996 he divorced her. Warped, perhaps, by three decades of hounding by racists, Ms Madikizela-Mandela had turned violent, venal and unfaithful. She was convicted of involvement in kidnapping, assault and fraud. Mr Mandela then married Graça Machel, a philanthropic former first lady, and minister, of Mozambique.

By Africa's standards, however, Ms Madikizela-Mandela's demise was but a modest warning to aspiring big women. For stronger stuff, consider Jewel Howard-Taylor, once Liberia's glamorous first lady. While her husband, Mr Taylor, enjoyed a comfortable exile in Nigeria, she was marooned in Liberia's capital, Monrovia. Now seriously ill, Ms Howard-Taylor is said to be selling her household possessions. A former roving UN ambassador, she had been prevented from leaving Liberia for medical treatment by a UN travel ban. Shortly before the order was overturned, allowing her to seek

treatment in Ghana, a journalist stumbled upon her, perspiring in a hospital with no electricity. The once ebullient big lady murmured weakly: “You leave me with your camera business. I am sick.”

Roving Howard-Taylor

Even before her husband's flight, Ms Howard-Taylor had had her troubles. In 2002 Mr Taylor, a Baptist preacher, had declared that he was entitled to four wives. He said it was his wife's duty to “fish for a woman and bring her over to me”. Ms Howard-Taylor's response went unrecorded, as also when Mr Taylor caned the couple's daughter in public for disobedience.

Ms Howard-Taylor was not, by a long chalk, the first big lady to share her husband. King Mswati III, Swaziland's ruler, has 11 wives, at present. Idi Amin, Uganda's former tyrant and the self-styled Conqueror of the British Empire, had five, though he dismembered one of them. Mobutu Sese Seko, despot of Zaire, as he called Congo, gave himself a name to inspire little confidence in his marriage vows. In full, it meant “the cock who goes from homestead to homestead leaving no hen uncovered”. After the death of his first wife, Marie-Antoinette, Mobutu married his mistress, Bobi Ladawa, and filled the vacancy thus created with her identical twin. He also slept with his ministers' wives.

Yet a big lady spurned can be a bitter foe. When Omar Bongo, Gabon's seasoned tyrant, divorced his first wife, Joséphine, she moved to Los Angeles and became a pop singer. Mr Bongo married the much younger daughter of Congo-Brazzaville's president, Edith Lucie Sassou-Nguesso. But he had not heard the last of Joséphine. In 1990 she returned to Gabon in triumph. “Who is the first lady?” she asked an adoring crowd at her home-coming concert in Libreville, the capital. “You, Madame!” the crowd replied. Soon after, the first Mrs Bongo released a song about her successor: “You used to call him papa, but now you call him darling...”

Mr Bongo got off lightly. In 2002 Frederick Chiluba, then president of Zambia, divorced his wife of 33 years, citing infidelity. In recompense, he invited her to take some bauble from State House, but instead Mrs Chiluba tried to sue him for $400m—her share of the riches he had allegedly stolen during a decade in power. Her case was dismissed, and he is on trial for plundering the state.

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Mugabe gated

In Kenya this Christmas, no one will be treading the corridors of power more softly than Mwai Kibaki, the country's frail president. Mr Kibaki, a polygamist, can give the impression of being pecked by every hen and by one muscular bird, his first wife, Lucy, in particular. At a Christmas dinner last year, the vice-president made the error of questioning Lucy's right to be called first lady over Mr Kibaki's second wife, Wambui. Within minutes, the banqueting hall had emptied. Mr Kibaki arrived at the New Year's Day state banquet unaccompanied.

That a proud African woman should covet the title of chief consort is understandable: she is unlikely to hold any higher office. Lower down the ladder, only 13% of African parliamentarians are women. That is little less than the world average, but there are better clues to the state of African women: 1% die in childbirth—twice the proportion in South Asia—and over 100m have had their genitals ritually mutilated.

Feminists tend to blame the disfranchisement of Africa's women on the slave trade and western colonialism. One describes how the Kongo tribe of central Africa abandoned matrilineal inheritance through contact with Portuguese slavers: an increased demand for labour to hunt for slaves led Kongolese men to start claiming their children. When European missionaries and lawmakers bulldozed the continent's traditions, many female institutions were lost. These included dualist beliefs: as the Akie of Tanzania once sang, “God above is our father, God below is our mother.”

In Zambia and Malawi, as their rights vanished, women were increasingly prone to possession by *vimbuza* spirits, which entailed chanting “complaint” poems. Robbed of their matrilineal identity by British common law, they called themselves orphans: “Why are we orphans dying? (Today! Oh no!)/We are dying as wanderers! (Today! We are just orphans)”. The British banned *vimbuza* too. In 1890 French foreign legionnaires massacred the amazonian army of Dahomey, one of west Africa's great kingdoms. In 1892 a Boer government grabbed 90% of the land of southern Africa's biggest woman, the Rain Queen of the Lobedu, immortalised by H. Rider Haggard in “She”.

The smelly reality

But, alas for feminists, history is never straightforward. That southern Africa's women voiced their troubles only in a trance suggests their gardens were never rosy. Most *vimbuza* complaints were aimed at their menfolk: “Husband! You should take a bath! (Eee—you are a fool!)/Your armpits stink!” As for Queen Modjadji V, the Rain Queen reigning when Mr Mandela was released, she disliked Boers, but was equally suspicious of his left-wing African National Congress. And for a Dahomean woman to become a fully-fledged amazon, that great feminist icon, she first had ritually to become a man.

Yet the fact remains that most African women's best hope of gaining power is to acquire it through a man. Nana Konadu Agyeman Rawlings, the childhood sweetheart and formidable wife of Ghana's former ruler, Jerry Rawlings, is one example. Of royal stock in the Ashanti, a matrilineal tribe, she had the whip-hand over her upstart husband (a flight-lieutenant turned coup-maker) in Ghanaian society. This helped her to build a female development agency—the 31st December Women's Movement, named after the day of her husband's first coup—boasting 2.5m members. She was also no stranger to scandal. An inquiry into several murders that followed Mr Rawlings's first coup, in 1979, found the killers had collected the keys of their getaway car from her house. She says that, if this was so, she had no idea of it.

To deter ridicule, Banda once banned a song by Simon and Garfunkel that ran, “Cecilia, I'm down on my knees/I'm begging you please to come home”

If Mrs Rawlings was often said to be the force behind her husband's government, “Mama” Cecilia Kadzamira certainly controlled her lover's. When Hastings Kamuzu Banda, Malawi's life president and her lover of 30 years, turned senile, she sponsored her uncle to act in his place. To deter ridicule, Banda once banned a song by Simon and Garfunkel that ran, “Cecilia, I'm down on my knees/I'm begging you please to come home.”

In Uganda, Winnie Byanyima, an ambitious politician, has explored two paths to power. For a while she was a close personal friend of Yoweri Museveni, the country's president since 1986, but then she married his rival, Kizza Besigye. As an election approached in 2001, Mr Museveni seemed cowed by the coming confrontation. Only after his imposing wife, Janet, started campaigning did he follow suit in earnest, in due course winning the election and chasing Mr Besigye into exile.

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Mandela was a warning

A more alarming big lady is Simone Gbagbo, the wife of Côte d'Ivoire's president, Laurent. Mrs Gbagbo's website shows her portrait being overflown by a dove. It also lists the criteria for citizenship dictated by the Ivorian constitution. That may mean more to the millions of people living in northern Côte d'Ivoire to whom Mrs Gbagbo, as leader of the parliamentary wing of her husband's political party, is at best equivocal about granting citizenship. After rebels seized the north in 2002, Mrs Gbagbo called on Ivorian women to deny their husbands conjugal rights if they favoured making peace with the rebels. Her website, incidentally, is sponsored by the embassies of China and Israel.

As ethnic hatred grows, some fear Côte d'Ivoire may resemble Rwanda before the 1994 genocide. That killing was planned by members of a Hutu fascist elite, including men linked to Agathe Habyarimana, the wife of Rwanda's murdered dictator, Juvenal. Mrs Habyarimana, popularly known as Kanjogera, after a brutal Rwandan queen of the early 20th century, refused a request from human-rights workers to call for an end to the genocide soon after it began.

Of all Africa's big ladies—as with so many of the continent's excesses—none has been bigger than Nigeria's. In the mid-1980s, the role of the African first lady was defined by Maryam Babangida, the wife of Ibrahim Babangida, Nigeria's military dictator of the day. Mrs Babangida opened an office in the presidency to run her Better Life for Rural Women Project—or better life for ruling women, as some Nigerians mischievously called it. A development agency, the project apparently consisted of 10,000 co-operatives, 1,793 cottage industries, 2,397 farms, 470 women's centres and 233 health centres. Some Nigerians claimed it was a vehicle for self-promotion, which delivered few of the successes of Mrs Rawlings's movement, rallied support for General Babangida and soaked up state funds. “First ladyism and its attendant sycophancy”, wrote Nigeria's Nobel laureate, Wole Soyinka, “had burgeoned into outrageous proportions.”

In 1993 Sani Abacha, another general, took power, foisting his wife, Mariam, on the nation. Mrs Abacha started an ambitious women's group of her own, the Family Economic Advancement Programme. The couple's eldest child meanwhile opened the Office of the First Daughter. After Abacha died in 1998—in the arms of two Indian prostitutes and a local virgin—Mrs Abacha was reported to have been apprehended trying to leave the country with 38 suitcases, many of them stuffed with American dollars.

To end all this, Olusegun Obasanjo, Nigeria's current leader, ruled that his wife, Stella, would not hold the title of first lady. So the wives of 22 of the country's governors each assumed the title herself, as, belatedly, did an angry Mrs Obasanjo.

If there are reasons to doubt the merits of first ladyism, do-gooders seem not to have noticed. The UN recently sponsored a summit in Geneva attended by 18 African first ladies to discuss ways to counter AIDS. Alas, when Constancia Mangue de Obiang, the wife of Equatorial Guinea's tyrant, invited 40 first ladies to her steamy country, only three came. And a wall fell on the choir of schoolgirls that welcomed them, injuring two children.

AFP

Citizen Gbagbo

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About sponsorship

Press freedom

Prometheus unbound, a bit

Dec 16th 2004 | LAGOS
From The Economist print edition

AP

The media in poor countries are freer and more influential than ever before, which is why so many journalists are being killed

TO GAUGE how much freer the press has become in Nigeria, it is worth comparing today's newspapers with those published a decade ago. Take the *Punch*, a paper that, ahem, pulls no punches. The issue of October 18th this year had a story about fraud at 79 Nigerian banks, a report on the court-martial of naval officers accused of allowing an impounded oil-smuggling ship to vanish, and a letter from Chinua Achebe, one of Nigeria's best novelists, expressing his “alarm and dismay” at the “chaos” in his home state of Anambra, which “a small clique of renegades, openly boasting its connections in high places”, was turning into “a bankrupt and lawless fiefdom”.

And so on. Like most Nigerian newspapers, the *Punch* is feisty, combative and a bit wordy. But its issue of October 18th ten years ago was none of those things. In fact, it did not appear at all. The paper was banned between June 1994 and October 1995. Its offices were shut down by the police, its editor was briefly detained, and the government ignored a court order to allow it to reopen.

Under the dictatorship of Sani Abacha, the murderous embezzler who ruled Nigeria between 1993 and 1998, this sort of thing was normal. Journalists were arrested and tortured, and the papers they worked for were banned, confiscated or had their offices burned.

Reporters learned survival skills. Never walk alone. Never tell anyone your home address. Look out of the window each morning, and if you can't see your paper on the news-stand, don't go in to work, because it probably means you have offended someone powerful. Editors at the *Punch* used to hold meetings in friendly shops to avoid the police. To get precious galleys to the printer, they would entrust them to a small boy, who would carry them openly, as if they were nothing special.

Ever since Abacha died of a heart attack while frolicking with prostitutes, however, freedom of expression has flourished in Nigeria. “We've made great strides,” says Azubuike Ishiekwene, the *Punch*'s editor. The country now has more than 100 national newspapers and magazines, more than 30 private radio stations and a democratic government that usually tolerates criticism. Though not always: four reporters were arrested in September, and one irreverent news magazine was closed.

More voices, fewer constraints

The world's media are much freer than they used to be. The Soviet Union's collapse sent liberating tremors not only through Russia, but also through its array of colonies and satellites. Furthermore, the cold war's end prompted western donors to stop propping up anti-communist dictators and to start insisting on democratic reforms, of which unshackling the press was one. Of the former members of the Soviet block, only a few, such as the Czech Republic and Lithuania, have managed to become proper democracies where speech is truly free. But only a few, such as North Korea, Cuba and Turkmenistan, still silence dissent completely.

Most of the rest have stumbled some way along the road to freedom of expression, and sometimes a few paces back. Russians, for example, hear a far wider range of views than under communism, though President Vladimir Putin has been able to reassert a worrying degree of informal control over the main television stations. East Europeans now hear a variety of voices, Central Asians fewer.

The most uniformly repressed region is the Middle East. But even there new voices are being heard. Though they try, the most dictatorial Arab regimes have failed to insulate their people from the legions of (sometimes wildly conspiratorial and unpleasant) Arabic current-affairs websites. Neither have they stifled the pugnacious new satellite television news stations, such as al-Jazeera and al-Arabiya.

Dictators are rarer than before in Latin America and East Asia, and censorship laxer. Progress has been most striking, however, in sub-Saharan Africa. In the late 1980s, when Africa was still a battleground for the superpowers, only three countries (Botswana, the Gambia and Mauritius) allowed their people to say, write and broadcast what they pleased. The rest were more like Zaire (now Congo), where state television showed President Mobutu Sese Seko's image descending godlike from on high.

Private newspapers are now available almost everywhere in Africa, and the number of independent local radio stations has risen 100-fold, from ten in 1985 to over 1,000 today. Television is still state-dominated, but, in general, relatively unfiltered news is reaching far more people than ever before.

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Part of a paradox

Bad, but not as bad as it looks

That is not the impression you would get, however, from listening to the admirable watchdogs who campaign for media freedom. “Press freedom worldwide suffered a substantial decline in 2003,” says Karin Deutsch Karlekar, in her introduction to Freedom House's annual survey of the subject. “Independent news media are becoming scarce throughout Africa,” says Reporters Sans Frontières. “Forty-eight journalists killed in 2004,” laments the Committee to Protect Journalists.

This last point is important. Journalism has indeed become more dangerous, and it is not surprising that the champions of press freedom should draw attention to this fact. According to Reporters Sans Frontières, 625 journalists have died in the line of duty since 1992. Some were killed by accident, hit in crossfire while trying to report on battles. But most were deliberately murdered because they angered the mighty. Between 1994 and 2003, such reprisal killings accounted for three-quarters of the violent deaths of journalists, says the Committee to Protect Journalists. Barely one in ten of these murders led to a prosecution, let alone a conviction. And 122 journalists are sitting in jail, usually for no good reason, says Reporters Sans Frontières.

The groups that monitor press freedom do not have figures for the number of journalists murdered in the 1980s, perhaps because so few were. When journalists were mere mouthpieces of the state, the state had no reason to harm them. In large part, the rise in violence against reporters reflects their increasing freedom to annoy their rulers. It is an ugly side-effect of a hopeful trend.

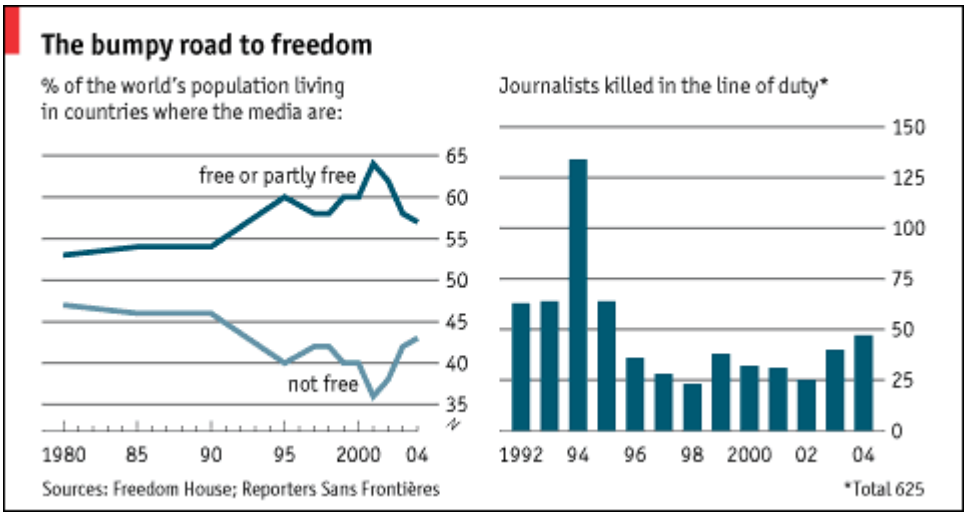
In large part, the rise in violence against reporters reflects their increasing freedom to annoy their rulers

Assessing this trend is tricky. Freedom House has a sophisticated index that grades three types of press freedom. First, whether a country's legal system makes it easy for journalists to obtain and disseminate information. Second, whether the country's political arrangements enable them to do so without harassment. Third, whether economic constraints, such as bribery and the influence of over-mighty proprietors, allow free reporting.

These measures are combined to give a score between zero (better than Denmark) and 100 (worse than North Korea). The index goes back only to 1994, however. To compare the present with the cold-war era, you have to use Freedom House's older, cruder index, which simply ranks countries as either “free”, “partly free” or “not free”.

Since 1985, the proportion of the world's population living in places where the media are “not free” has fallen slightly, from 46% to 43%. On the other hand, the proportion who live in countries classified as “free” has also fallen, from 29% to 17%. This does not mean that lots of countries have regressed from “free” to “partly free”. Rather, it reflects faster population growth in poor countries.

The media were more or less free in all western countries two decades ago, and they still are. Punitive libel laws exist in Britain; politicians and reporters have disgustingly clubby relations in Japan; and a huge conflict of interest bedevils Silvio Berlusconi's roles of prime minister and biggest media baron in Italy. But it is in the poor world that the biggest battles for press freedom are being fought.



Few poor countries are as free as they should be, though most are heading in the right direction. China is an example. On the one hand, it is a hideous dictatorship. On the other, it is less oppressive than it was under Mao Zedong, and that is reflected in its media. The number of Chinese newspapers soared from 382 in 1980 to 2,119 in 2003, says the government. Direct criticism of the Communist Party is still taboo, but other comment is a bit freer. Chinese journalists can write about economics, foreign affairs and practical problems facing their readers in a way that would not have been tolerated 20 years ago. At a local level, they can also expose corruption, even among party officials.

Officially, the government still owns all the media, but private investment was unbanned last year. Controls are being relaxed not because the government likes the idea of free speech, but because it realises that the economy will not keep booming if Chinese businesses cannot make informed decisions, and that they cannot do this without accurate and timely information.

At the same time, the Chinese government is trying to save money by reducing subsidies to newspapers and broadcasters. This forces them to woo advertisers and readers or viewers, which they can only do by providing content that people find interesting. Hence the rise of tabloid-style papers in China, full of stories about crime, police brutality and celebrity peccadillos. Hence, too, the rising number of Chinese journalists who are beaten up for embarrassing men rich enough to hire muscles. Using Freedom House's cruder index, there seems to have been no change in China: it is still “not free”. But using its more sensitive index, it has improved from 89 points in 1994 (as bad as Equatorial Guinea today) to 80 this year (no worse than Tunisia). It is not a great leap, but it affects 1.3 billion people. If sustained, the incremental liberalisation of the Chinese media would be a colossal blessing.

In many countries, the chief barrier to free expression is no longer censorship. It is cash. Good journalism costs money, so poor countries, especially if they are small, struggle to produce it. Souleymane Diallo, for example, edits two newspapers in Guinea, an impoverished nation of 8m. Each issue costs about 50 cents, but not many Guineans can afford this, so news vendors hire copies out for a fraction of the cover price. “A guy takes the paper to his office, reads it for half an hour, and returns it when he's finished,” says Mr Diallo. Each copy, he reckons, is read by 30 people.

A slender budget affects Mr Diallo's capacity to gather news. He has several

reporters in the capital, Conakry, but says he can rarely afford to send them to other parts of the country to find out what is going on. He has tried recruiting freelances in provincial towns, but the local political bosses co-opted them by paying them more than he could afford, in return for sycophantic coverage.

Populous poor countries, such as India or Nigeria, typically have a big enough middle class to support several good newspapers. But these are read mainly by the fairly well-off. Peasants, even if they can read, are seldom well served by newspapers.

In many countries, the chief barrier to free expression is no longer censorship. It is cash

Liberation technology

Radio, however, is a different tale. The number of independent radio stations is exploding, as costs and regulatory barriers fall. The World Association of Community Radio Broadcasters, which had 1,200 members in 1990, now has 3,000. Marcelo Solervicens, the secretary-general of the association, guesses that the number of unaffiliated stations has expanded equally fast, and that there are now 10,000-15,000 across the world, of which about half are in poor countries.

To set up a basic radio station now costs half as much as a decade ago, reckons Matt Buck, the head of Globecom, a South African company that specialises in doing just this. The necessary equipment is also much less bulky, and can be operated without an engineer on call. A transmitter that fits in a suitcase and broadcasts for a kilometre or a mile may cost as little $2,000, says Mr Solervicens. Something bigger, with a range of up to 100 kilometres (62 miles), would be $20,000-40,000, says Mr Buck. Probably most community radio stations in Africa get some support, financial or otherwise, from disinterested donors, but as prices continue to tumble, more will become profitable.

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Too often muzzled

Another change is the advent of the wind-up radio, which is powered by a hand crank and so needs no batteries. This makes a huge difference to the poorest, who cannot afford even 20 cents for six hours of listening. In families with battery-powered radios, the husband often pockets the batteries when he goes out to work, so that he can listen longer to the football when he gets back.

Wind-up radios allow women and children to learn about the outside world, sometimes for the first time. This is no exaggeration. Peasants in very poor countries, or even in remote parts of richer countries, can be isolated in a way that media-saturated westerners find hard to imagine. For many, radio is the only way of hearing a weather forecast, or finding out what price their crops might fetch in a distant town. Educational programmes provide teachers who are never late and never die of AIDS.

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Modern communications technology has had “a huge influence on how Nigerians see themselves and the world,” says Mr Ishiekwene, the editor of the *Punch*. Until recently, getting the telephone company, a state monopoly, to install a line took “three weeks or for ever”. You then had to wait hours for a dial tone, and pay exorbitant charges. The state news agency, another monopoly, gave a distorted and selective view of events.

Thanks to better technology and a government that does less than the previous one to obstruct the press, gathering information is now cheaper and easier. Virtually all Nigerian reporters now have e-mail, and use it, not least because it is so much cheaper than telephone calls. The internet allows them to read foreign newspapers for nothing, and to discuss how awful they are. When, for example, an American newspaper recently ran an article about corruption among Nigeria's rulers, Nigerian bulletin boards instantly carried complaints that the author had been far too uncritical.

Free speech gives people the confidence to demand that their rulers behave better, and freedom of information makes it easier to know when they do not. Neither of these ideals can be achieved overnight. A typical Nigerian “still sees a politician as a god, because he has money,” says Mr Ishiekwene. And though the central government has started publishing unprecedentedly detailed accounts of its finances, people cannot easily find out what their local governments have done with the money because many officials insist, wrongly, that such information is classified.

In all poor countries, city-dwellers are better informed, and less deferential, than peasants. A Brazilian *favela* is not Harvard, but its inhabitants will know a lot more about the modern world than their compatriots who live in the middle of the Amazon rainforest. And as people continue to migrate towards the bright lights, their rulers will find it harder to keep them in the dark.

Back, but not for long

For their part, journalists have a responsibility to keep digging and prodding the powerful. Their job may not require elaborate training, but neither is it wholly straightforward, as an editorial meeting at the *Punch* illustrates. A dozen sharply dressed editors sit round an L-shaped table in an office in Lagos, discussing a story on that morning's front page about an oil-pipe explosion. Mr Ishiekwene is complaining that the *Punch*'s reporter seems to have tagged along with the officials visiting the scene of the disaster and transcribed their version of events. “That's wrong. He should go into the community and find out what happened and how it affects people's lives,” says Mr Ishiekwene. “Freedom does not come on a platter,” he sighs. “You have to earn it.”

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The last personality cults

Toughs at the top

Dec 16th 2004 | LOMÉ
From The Economist print edition

AFP

Self-obsessed despots are out of fashion in most places, but not in North Korea, Turkmenistan and Togo

WHEN a train carrying explosives blew up in North Korea last April, setting fire to nearby buildings, several people died trying to save portraits of their “Dear Leader”, Kim Jong Il, from the flames. Some rescued pictures of the pudgy dictator before searching for trapped relations.

This story is typical of what North Koreans have to read over breakfast, if they have any breakfast. True or not, it tells you something about North Korea. Official propagandists actually believe that it reflects well on their regime. To those in their thrall, personality cults can make perfect sense. To anyone else, they would be funny were they not so foul.

Half a century ago, in his novel “1984”, George Orwell fretted that totalitarianism would conquer the world. But totalitarianism did not work, so it has all but disappeared. Communism was “brought to its knees because nobody wants to wear Bulgarian shoes,” as P.J. O'Rourke, an American humorist, has put it. Stalin still has a few imitators, but the most convincing of them was found cowering in a hole near Tikrit last year.

To study personality cults today is to study an endangered species. To find living examples, you have to go to forgotten, remote and usually beleaguered places like North Korea, Turkmenistan and Togo. This article looks at the cults in these places and ask three questions. Why do they survive, how long will they last, and why do those who build them always have such vile personalities?

Kim Jong Il's regime is arguably the world's nastiest. It is not easy to make a country populated by Koreans poor, but some 5-10% of the people in the people's paradise starved to death in the 1990s. Those overheard complaining could, indeed still can, be sent to freezing prison camps.

“No foreigner likes North Korea,” writes Michael Breen, the author of a recent biography of Mr Kim. The country is drab and joyless. The capital, Pyongyang, has wide boulevards but little traffic. It has big monuments to the Dear Leader and his father, Kim Il Sung, the “Great Leader”—but nothing to do, except work, and little to buy.

Adulation, for the man who has everything

Chaperones escort foreign visitors everywhere, lying constantly. “This shop is empty because it's a holiday.” “The lights have gone off because it makes a more romantic atmosphere for dinner.” “The Americans started the Korean war.” And so on. A Chinese diplomat in Pyongyang once begged your correspondent to linger for tea, explaining that, bored witless, he had to talk to someone who would not keep praising the Kims for the sunshine.

Everyone is spied on. The linguists who watch foreigners are keen to let their subjects know they are being watched, because they could land in trouble if the foreigners misbehaved. Mr Breen tells of two Danish engineers who griped to each other about the dullness of the place, in their hotel room, in Danish. One said he wished he had brought a pack of cards. The next day, his guide gave him one.

Turkmenistan, a country of 5m people in Central Asia, is not as shackled as North Korea, but the locks are clicking. It used to be a Soviet vassal state, ruled by a Moscow stooge called Saparmurat Niyazov. When the Soviet Union collapsed, Mr Niyazov deftly reinvented himself as a Turkmen patriot, the “Turkmenbashi” or father of all Turkmen. He banned all opposition, declared himself president-for-life and erected golden statues of himself everywhere, including one in Ashgabat, the capital, which revolves with the sun.

A collection of his thoughts on philosophy, ethics and Turkmen culture, the “Rukhnama” (“Book of the Soul”), forms the basis of the school curriculum. Even to pass a driving test, his subjects must show their knowledge of this “sacred” text. The children who have passed through the country's schools most recently are now nearly as brainwashed as North Koreans.

No hurry to go in Togo

Togo's ruler, Gnassingbé Eyadéma, is the least revolting of the three, but has been around the longest. A former wrestling champion, Mr Eyadéma seized power in a coup in 1967, when he was 29. He has held on to it through a mixture of guile, force and French support. Of the world's incumbent despots, only Fidel Castro can claim seniority.

Perhaps because Togo is so poor, Mr Eyadéma's personality cult has never been as elaborate as Mr Kim's or Mr Niyazov's. The monuments in Lomé, Togo's capital, do not compare with the monstrosities in Pyongyang and Ashgabat, though the shops feel obliged to display Mr Eyadéma's portrait, and the official media encourage the view that he is superhuman. Morning, noon and night, the radio used to play a jingle that went:

AFP

Eyadéma's watching

> Be reassured, Eyadéma,
> You were crowned by God!
> Be reassured, Eyadéma,
> The people are behind you!

French support for Mr Eyadéma ended with the cold war. Since then, he has had to pretend to be more democratic, in the hope of pleasing aid donors. The jingle above jangles no more. Togo still has a state television station that shows endless military parades, but it also has independent newspapers that pillory the commander-in-chief. Mr Eyadéma still rigs elections, but less blatantly than before. Whereas in 1986 he romped home with 99.95% of the vote, he barely scraped 57% last year.

The benefits of a personality cult are not obvious to anyone but its object. Every country that has endured one has been made wretched by it. The dogma that comes with leader-worship is ridiculous, too. How can anyone believe that Mr Kim is really, as officials claim, the greatest composer of operas, the greatest engineer and, despite having played the game only once, the greatest golfer of all time? Still, the leaders often come to believe their own propaganda, and start to act as though they were indeed gods. Mr Niyazov has renamed months of the calendar after members of his family, banned beards and gold teeth, and built a leisure centre for horses, complete with swimming pool, air-conditioning and an operating theatre.

Presidents-for-life are passé in most places, but not in North Korea, where the Dear Leader's father, the

country's founding tyrant, was declared “eternal president” after his death in 1994. Mr Niyazov has not gone quite so far; he has merely extended his current eight-year term indefinitely. Mr Eyadéma, though, has resisted the temptation to follow suit, perhaps in a nod to local fashion: Togo's West African neighbours used to be dictatorships, but all went democratic about a decade ago.

That fashion may take a while to reach North Korea. The population there falls into three classes: loyal, wavering and hostile. The first group may hold responsible jobs and live in Pyongyang. The second group live in penury. The third live in prison camps, often with their families.

Lee Soon Ok is in the third category. A party member in charge of a textile warehouse, she was jailed after she had refused to give a secret policeman some cloth to make a Kim Jong Il-style jacket. Having been beaten and interrogated for months, she was shoved in a hot kiln and then forced to kneel half-naked in the snow for hours on end. After signing a false confession, she was given a softer billet, where she was merely half-starved and subjected to 19 hours of slave labour a day.

In the camps, prisoners have to memorise rules such as “Adore Kim Jong Il with all your heart,” and informers report disloyal sleep-talk, which is punishable by death. Mr Niyazov's regime, not much better, has jailed about 20,000 dissidents, some after trials in which the defendants likened themselves to worms and their lawyers apologised for defending them. Mr Eyadéma runs a more haphazard police state. His heavies occasionally kill dissidents, but most endure only sporadic harassment.

AP

...and has protection

Fear is a necessary tool for sustaining a personality cult, but it is not sufficient. Despots must also make at least some of their people love them. They usually succeed. The hysterical mourners at Kim senior's funeral in 1994 were not all faking it. Some people, it seems, really do yearn for a leader so strong, virtuous and brilliant that he will solve all problems—and moreover they believe that such a person may exist. If the president has all the answers, it “remove[s] the complexities and anguishes from daily living,” points out Mr Niyazov.

Despots who wish to be worshipped typically present themselves as embodying something that their people already venerate, such as their religion, their nation, or both. Mr Kim draws on three separate belief systems to buttress his rule: communism, Confucianism and ancient Korean shamanism. He is said to have been born on Mount Paekdu, which is linked in Korean myth with the country's founding. In truth, he was born in Russia.

Mr Kim's father was first foisted on North Korea by Stalin, whose propaganda people cooked up a largely bogus account of his heroic role in booting the Japanese colonists out of Korea. From the 1970s, the Great Leader put his son in charge of the ghost-writers who wrote all his infallible books. He did a good job, thus showing himself to be a pious son.

Togo's ruler, Gnassingbé Eyadéma, is the least revolting of the three, but has been around the longest

A former film director, he is keen on movies. The better to make them, he had a South Korean director kidnapped and brought to Pyongyang with his actress wife. His instructions to North Korea's creative types are a model of clarity. For example: “When singing of the joy of nature, lyrics should reflect the advantages of the socialist system.”

In the 1970 edition of North Korea's “Dictionary of Political Terminologies”, hereditary succession was called “a product of slave societies...later adopted by feudal lords to perpetuate dictatorial rule”. Two years later, this entry was gone. Similarly, the Kims would airbrush good foreigners out of their country's history (the bad ones they kept in). In their view, the making of Korea has been an all-Korean affair: they proclaimed a uniquely Korean ideology of *juche*, or self-reliance, ignoring the country's dependence on Soviet and Chinese aid.

Nationalism can elide into that other powerful emotion, hatred, and despots like the Kims make sure to push it that way. A foreign enemy makes it easier to demand unity and obedience. That is why, in maths classes, North Korean children are taught to add and subtract by totting up, and taking away, numbers of dead American soldiers.

Mr Niyazov uses similar tricks, though he is less practised. He keeps mosques under state control and puts a copy of the “Rukhnama” next to the Koran in every one. He also poses as a defender of Turkmen culture against Russian infiltration. After independence in 1991, he ditched the Cyrillic alphabet for the Roman one and made Turkmen the language of instruction in schools, despite the lack of textbooks written in it. He has barred the 100,000 Russians who live in Turkmenistan from owning property. Many have fled.

Togo, though tiny, is ethnically and religiously diverse, so Mr Eyadéma has to pretend to be blessed both by the Christian God and by various pagan spirits. These spirits apparently protect him from death. Assassins' bullets fired point-blank at him have somehow missed him, according to his publicists, and a bomb once brought down his aircraft, but not its passenger.

To a foreign audience, Mr Eyadéma plays down the mysticism. On his website, for example, when asked by a sycophantic interviewer whether some “occult power” shields him, he whispers: “Let me tell you the name of my witch-doctor. It is none other than the Togolese people.”

Mr Eyadéma cannot easily appeal to Togolese nationalism, since most of his subjects feel more loyalty to their tribe than to their country. The president is from the north of Togo. Many northerners love him, and he rewards their loyalty with patronage. Those from other parts tend to hate him.

L'état, c'est eux

It is a constant struggle, for cult leaders, to keep their followers from hearing views or facts that might puncture their faith. Mr Eyadéma has failed in this, which is why he is looking wobbly. In 1991, under French pressure, he allowed some freedom of expression. After a quarter-century in which no one dared to complain above a whisper, a cacophony of pent-up fury filled the papers and airwaves.

“It was a shock,” says John Zodzi, a local journalist. “Before then, many people thought he was superhuman. Any happiness you felt was attributable to him, but he could easily have you killed. That was how people felt. But then they heard him publicly criticised, and they realised he was just an ordinary man. Now, no one believes in the cult.”

Mr Kim has done a better job of keeping his subjects cut off from reality, but even his grip is faltering. During the 1990s famine, hundreds of thousands of North Koreans risked death to slip into China in search of food. Some brought back tales of how much nicer life was in their more liberal neighbour. Aid-workers report that North Korean refugees in China are now much more critical of the Dear Leader than they were a few years ago.

Mr Niyazov's regime has jailed about 20,000 dissidents, some after trials in which the defendants likened themselves to worms and their lawyers apologised for defending them

Turkmenistan is not as repressive as North Korea, but Mr Niyazov is doing his best. Spy cameras are being hooked up on street corners to prevent “disorder”. Dissidents can be jailed for life for “sowing doubt” about his policies. Thought has more or less been criminalised. “During the Soviet era, there were active meetings among scientists, artists and other intellectuals. Many thinkers [have now become] traders in markets,” writes Vakil Saparov, a pseudonymous local journalist.

How long can these regimes last? “I think Eyadéma is tired and wants to step down,” says a businessman in Lomé. “But he knows that if he does, the opposition will put him on trial.” So he soldiers on. One day, however, he will die or lose control. Then, all bets are off. Togo could follow the example of nearby Côte d'Ivoire, which fell apart after its strongman, Félix Houphouet-Boigny, died. Or it could follow Ghana, which is freer and better off since the dictator Jerry Rawlings relented and called multi-party elections.

Mr Niyazov is in a stronger position. Whereas Mr Eyadéma has relaxed a bit in the hope of getting aid, Turkmenistan has lots of natural gas and few cash problems. In October, Mr Niyazov told parliament that he might stand down in 2008 or 2009, but MPs unanimously urged him not to. The Turkmenistan Project, an arm of George Soros's Open Society Institute, doubts his sincerity, “in view of his status as president-for-life and the absence of any alternative candidates or political parties.”

North Korea has less money, though Mr Kim ekes out the budget by peddling drugs, arms and fake $100 bills. To be fair, heeding China's example, he has also tried to liberalise the economy a bit since 2002, in

the hope of filling some bellies and forestalling demands for political reform. But a quarter of his people stay alive only because they receive food aid from abroad.

His other strategy is to seek nuclear weapons, presumably in the hope that foreigners will take him seriously and buy him off. But that will not protect him from his own people, who will surely demand one day to join the other, richer, freer Korea to the south, just as the East Germans wanted to rejoin West Germany. For now, no one wants to be the first to drop the charade of Dear Leader-worship. But as Nicolae Ceausescu discovered in Romania, the first jeer can swiftly become a revolution.

And so to the final question. Why are god-kings so odious? All three of our sample can claim, in mitigation, that they had rough childhoods. Mr Kim was born among guerrillas, lost his mother when he was seven and saw his home city bombed flat a year later. Mr Niyazov's father died in the second world war, his mother in an earthquake. Mr Eyadéma was born a peasant and saw hard service with the French army.

A psychologist could doubtless make much of these stories. Mr Kim's upbringing was especially odd, in that by the time he started school, his dad had become a dictator and his teachers had been given long instructions on how to please him. But the most obvious reason why despots behave badly is because they can. “Don't praise me too much,” said Mr Niyazov recently. “It is difficult to listen while they sing about you. I sit staring at the ground, blushing.” Sure you do.

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Bhutan

The pursuit of happiness

Dec 16th 2004 | THIMPHU
From The Economist print edition

Irene Slegt

Yes, the United States has a rival—and this isn't a fairy tale

ONCE upon a time, in the high hills far away, was a magic kingdom with a secret. The people were poor, but, thanks to the secret, they were happy. They loved their forests and fertile valleys, their snow-capped mountains and gurgling rivers, their white-washed temples and red-robed monks. And they loved their king, for he was good and wise, and kept the secret well.

Since they were far away, not many people knew of their happiness. But the king in his goodness and wisdom decided this had to change. This made the people uneasy. And he wanted to give up many of his powers, which made them afraid. The king was married to four beautiful sisters and had many children. But he worried that future kings might not be as good and wise as he. So he wanted the people to rule themselves. To help them, he bequeathed the secret of his golden rule. And he gave it a name: Gross National Happiness.

Shangri-La-di-da

The Himalayan kingdom of Bhutan is not in fact an idyll in a fairy tale. It is home to perhaps 900,000 people—estimates vary wildly—most of whom live in grinding poverty. It is grappling, like most other countries, with the boons and curses of globalisation, trying to preserve its own traditions while opening its doors to prosperity. Bhutan, however, is different in ways that draw both foreigners and the Bhutanese themselves into romantic flights of fancy about the country.

First, few places have been so romanticised as Shangri-La, or remained so backward and so isolated for so long. Serfdom was abolished only in 1956, by the third king in the present dynasty. After China's crushing of an uprising in neighbouring Tibet in 1959, he went beyond the freeing of the serfs to embark on a tentative opening up. The fate of other Himalayan Buddhist kingdoms and theocracies—Sikkim (absorbed by India), Mustang (Nepal) and Tibet itself (China)—was warning enough of the perils of isolation. Bhutan, squeezed between two giants, agreed in 1949 that its policy would be “guided” by one of them, India. It still has no diplomatic relations with the other, China.

Bhutan's first paved road dates only from 1961. Before 1968 it had no banks. Until 1999, there was no television and no access to the internet. Thimphu still advertises itself as the world's only national capital without a traffic light.

Second, Bhutan has taken unusual steps to safeguard its heritage. Most visibly, weaving and costume are

protected by rules making traditional dress compulsory in public places. Men wear a *gho*, a long one-piece robe belted and hitched up at the waist, leaving a big pouch in the upper folds. It looks a little like a dressing gown, but is typically worn with knee-length socks and sturdy lace-ups. Women wear the *kira*, a floor-sweeping straight dress topped with a blouse and short jacket. Both are elegant. Traditional architecture, too, is promoted. Even new houses are traditionally painted—white with ornate decorated window-frames, and the occasional mural, such as a big flying phallus, a symbol of a popular Tantric master, known as the Divine Madman, who made good use of his.

Third, there is Gross National Happiness. When, in the 1970s, Bhutan's fourth and present king said that he cared more about this than about Gross National Product, it seemed something of a throwaway remark. King Jigme Singye Wangchuk, who succeeded to the throne in 1972, is a moderniser like his father, but this seemed a simple statement of the obvious: that economic growth alone does not bring contentment. Over the years, however, the idea has taken hold. At home, Bhutan's rulers find it a handy excuse for some of their quirkier policies. Abroad, some development theorists have latched on to the idea as an alternative to the globalisers' creed of growth-oriented market economics.

So a new set of initials—GNH—is now used to abbreviate a small academic industry. At an international conference on GNH in Thimphu last February, 60 papers were tabled (available in all their voluminous glory here). Then, in June, Bhutan's prime minister, Jigme Thinley, based his annual report on the government's performance on the tenets of GNH.

Even in Bhutan, however, opinions differ about GNH. For its adherents, it offers a guide to policy that will enable Bhutan to pick and choose in the globalisation supermarket, modernising on its terms alone. Bhutan's experiment, in this view, also offers important lessons to other poor countries.

For critics, however, GNH is at best an empty slogan—one that risks “including everything and ending up meaning nothing”, in the words of Dorji Penjor of the Centre for Bhutan Studies, the think-tank that held the conference in February. At worst, say some foreign observers, GNH provides ideological cover for repressive and racist policies.

Some of GNH's exponents, such as Mr Thinley, seem a bit bemused by the vogue. He is no longer prime minister, a post that rotates each year among five of the ten-member cabinet. But, as home minister, he still sits in his *gho* and orange ministerial shawl in Thimphu's 17th-century *dzhong*, a fortress that serves as both monastery and government office. It is a suitable seat from which to expound on merging tradition with modernity.

Irene Slegt

Bio-degradable roofing

Happiness has four legs

Mr Thinley is suspicious of efforts to turn GNH into a science, or to devise indices measuring happiness along the lines of the UN Development Programme's human-development index (which ranks Bhutan 134th out of 177 countries). Yet he has done more than any other government minister to underpin the king's insubstantial aphorism.

He says there are four “pillars” to GNH. The first is “sustainable and equitable socio-economic development”. Revealingly, some at the conference modified this to “economic self-reliance”. Bhutan's economy is tiny, and its foreign links tinier still. Subsistence farming still sustains some four-fifths of the population. The priority remains road-building. Even the main “highway” from Thimphu to Paro is in many places only wide enough for one car. Mr Thinley boasts that motorable roads now connect all but one of Bhutan's 20 districts, though many villages can still be reached only on foot.

In 2003 Bhutan's total exports, almost all of which went to India, were worth just 5,700m Bhutanese ngultrums (about $120m). Electricity generated from Bhutan's rivers accounted for about half the exports. The other sources of foreign exchange were, and are, aid—especially from India—and tourism.

About 7,000 tourists visit each year. They are charged at least $200 a day, shared cosily between the government and private travel agents. The only foreign investment of note is in two smart resorts.

Yeshey Zimba, the trade minister, says the government no longer limits the number of visitors. It regulates itself, thanks to the difficulty of getting to Bhutan. Mr Zimba is, by local standards, an ardent supporter of globalisation: “There is nothing we can do to prevent it.” Indeed, Bhutan is embracing it, and trying to join the World Trade Organisation. Nobody seems quite sure why. Mr Zimba argues that it is like the United Nations, which Bhutan joined in 1971: “Everybody is a member.”

The second pillar is the pristine environment. Bhutan is one big, mountainous forest. Only 16% of its land is arable, so there is pressure to fell trees and sell timber. Ministers worry that logging could swiftly turn the fragile ecology into a “mountain desert”, and a law requires the proportion of tree cover to be kept above 60%. In fact, the tree cover is spreading, having increased from 64% to 72% of the country in the past ten years, says Mr Thinley.

Similarly, few of Bhutan's mineral resources—coal, possibly tungsten, and limestone suitable for cement—have been dug up. The hydropower projects are mostly “run-of-the-river” schemes with far less impact on the environment, and far less human displacement, than huge dams would have.

Even the main “highway” from Thimphu to Paro is in many places only wide enough for one car

This wonderful record has a cost, of course, and, as a guide to policy, it is where GNH parts company from GNP. Yet it is in the third pillar—the “preservation and promotion of Bhutan's culture” that things start getting really tricky, and one group's GNH starts looking like another group's grief. Nobody could quarrel with Bhutan's wish to preserve its unique cultural heritage. But what is it?

For most Bhutanese, the cultural inheritance is dominated by a strain of Tibetan Buddhism. Bhutan was unified in the 17th century by a Tibetan lama. It has thousands of temples, an “altar room” in every home, and many boys still become monks for life. Officially, the number is actually growing.

Bhutan, however, has many ethnic groups, some of them migrants. Though Hindu Nepalese started migrating to the fertile south of Bhutan in the late 19th century, the big influx of economic migrants came in the 1960s and 1970s. Then, in the late 1980s, the government started pushing “one nation, one people” as a principle. The dress rules appeared. Nepali, which was taught as a third language (after the national tongue, Dzhongkha, and English) in some schools, was dropped from the curriculum. Nepali-speaking southerners had to produce documents to prove their citizenship. Some protested. Some were expelled. Others fled.

Between 1988 and 1993, thousands of Nepali-speakers left Bhutan, many ending up in refugee camps in Nepal, which now house about 100,000 people, a tenth of whom were born there. A further 20,000-30,000 are believed to be in India. Efforts to agree with Nepal on the fate of those in the camps are subject to endless delays and bickering.

The issue has been costly for Bhutan. Its image is dented. Shangri-La seems less alluring if its bliss relies on keeping an eighth of the 1990 population in a grim exile. Some aid donors, such as the Dutch, have turned off the tap in protest.

Many of the “refugees”, claims the government, were recent illegal immigrants; some had never been in Bhutan; most had emigrated of their own accord and forfeited citizenship, for which they would have to reapply. Of the 12,000 in the camps whose status has been “verified”, Bhutan admits only that 297 were expelled. Some 75%, it claims, left voluntarily and the rest were non-Bhutanese.

Many north Bhutanese insist the government had to act. The country risked being swamped, they say, by Nepalese who could wander over the open border with India and occupy Bhutan's most fertile land. In their camps the Nepali-speakers may hang portraits of Bhutan's king. But, it is said, once they are securely in Bhutan, the portraits are those of the king of Nepal. Some

Some “traditions”, such as the requirement that

foreigners in Thimphu, while not defending the government's means, have some sympathy for the ends. Others deplore continued the discrimination against Nepali-speakers.

everybody should wear a long shawl when visiting government offices or temples, are fairly recent discoveries

And now, traditional television

Mr Thinley insists the idea of GNH is inclusive. Nepali is spoken in the National Assembly. The one newspaper, *Kuensel*, a weekly, appears in English and Nepali as well as Dzhongkha. But, besides “preserving and promoting” Bhutan's culture, the government is also defining, limiting and sometimes even inventing it. Some “traditions”, such as the requirement that everybody should wear a long shawl (whose colour denotes the wearer's status) when visiting government offices or temples, are fairly recent discoveries. In September it was decreed that any women wearing their scarves draped over one shoulder were flouting a two-shoulder custom. Last year the Dzongkha Development Commission coined 400 new words to help a liturgical language cope with the modern world.

Who controls the past, as Big Brother knew, controls the future. Bhutan is a friendly and engaging place but there is an Orwellian tinge to its government. Last month it became the first country to ban tobacco. Citizens must return to their village each year to obtain their identity card. Those who travel abroad surrender their passports on return and can reclaim them only by going to Thimphu.

All that could perhaps change with the building of the fourth of Mr Thinley's pillars, good governance. Democracy, for now, is of the trickle-down variety. In 1981 the king introduced 20 district committees, elected by households. Ten years later decentralisation was extended to 201 committees representing “blocks” of villages, elected by individual voters. Reform is now to be entrenched in a new constitution. In January the king will tour the country, drumming up support for this—a document that will take away much of his power.

Irene Slegt

Soft soap from India

Sonam Tobgye, the chief justice and chairman of the drafting committee, admits many are uneasy about the changes—especially the replacement of the king's role as ombudsman, to whom everybody has the right of appeal, with a supreme court. Some in the Thimphu elite fear electoral democracy, worrying that it may one day threaten their interests in favour of the poor rural majority. They also fear the emergence of political parties, which may form along ethnic or regional lines. Some hope that party politics can be avoided in favour of civilised debate and continued consensus. Mr Tobgye, though, is adamant: “Democracy can't work without parties.”

The chief justice is also an optimist, arguing that you “must trust human beings; with friction there is energy.” Until recently, Bhutan's rulers showed little such trust. Like over-protective parents, they shielded their people from evil influences.

The big exception is television. Until 1999 there was none, except for a lucky few with secret satellite dishes or video-players. Then, when Bhutan started producing its own, very limited, television programmes, it also opened up to cable operators. In an unusual big bang for such a cautious regime, viewers suddenly had access to a full 46 channels, offering everything from news to near-naked fashion models to wrestling.

Irene Slegt

Sok Sian Pek, who conducted a “media impact study” for the communications ministry, says television has wrought huge changes in the towns. People adjust meal-times for their favourite programme. Most popular are Indian soap operas (understanding of Hindi is spreading fast). Ms Pek scoffs at those who blame television for rising crime, but does detect concern at the changes in family life it has brought.

Similarly, Karma Phuntsho, a Bhutanese scholar of Buddhism at Cambridge University, laments the consumerism sweeping Bhutan.

People, he says, are becoming restless and materialistic. “The invisible culture is at stake.” In Thimphu's bars, young people are glued to Spanish football matches, or listen to pop music (performed by young men in *ghos*), or play video games in a dingy arcade. Many carry mobile phones, introduced last year. The shops are small, but full of imported goods. Traffic lights will surely come. In its capital at least, Bhutan, sad to say, is becoming more like everywhere else.

GNH, in one sense, is an expression of that nostalgia, and an appeal for alertness about what might be lost under the incoming tide of modernity. But an 80-year-old woman in a village near Paro has a different perspective. Asked about the changes she has seen, she can think of nothing bad to say about them: electric light, which came ten years ago, is better than a smoky kerosene lamp; taking a bus up the new asphalt road, down which all those evil influences roar, is better than walking along a muddy path. The good old days? Bah.

Plenty of old cultural pastimes still to come

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The Romans in China

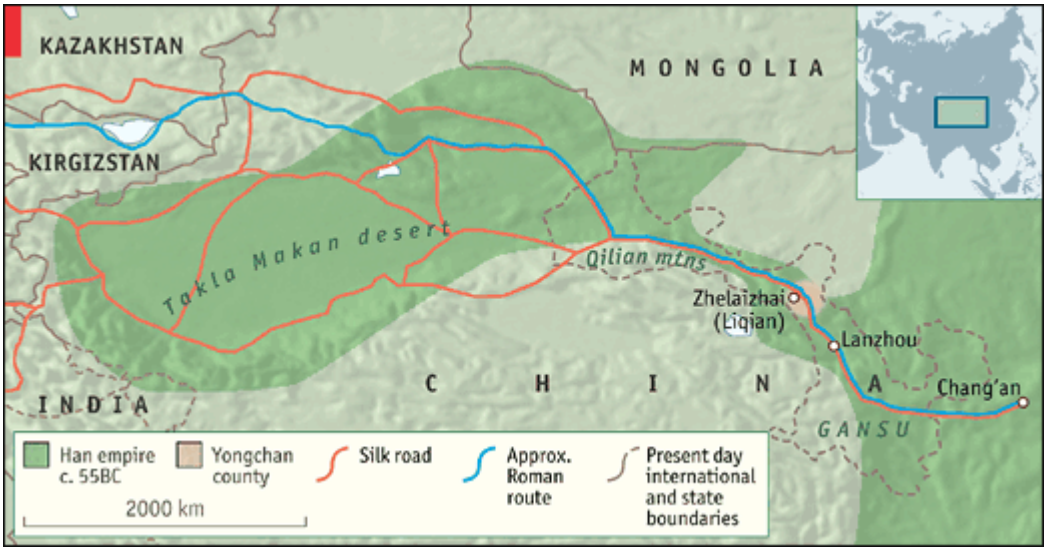
They came, saw and settled

Dec 16th 2004 | YONGCHANG
From The Economist print edition

So it's said, anyway

IN A remote village of western China, high on the dusty pastures that stretch toward the Qilian mountains, the local branch of the Communist Party is finishing off a new headquarters that stands out from the local buildings, all built of compacted earth. This building has a classical Roman portico, made of concrete, at the entrance. The local party chief and his deputy both think they are the descendants of Romans.

Their village, Zhelaizhai, is separated from what was the Roman empire by about 6,500km (over 4,000 miles) of forbidding terrain. To get to this little place in Gansu province, a Roman would have had to cross all of Central Asia and the Middle East, encountering fierce tribes en route. Yet some people believe that a group of Roman soldiers made this journey 2,000 years ago and then stayed.



It may be wishful thinking, but so captivating is the notion of a Roman town in ancient China that for 50 years it has inspired a disparate variety of supporters, among them an Oxford University professor, an Australian adventurer and the abbot of a nearby Buddhist temple. The abbot says prayers for the ghosts of Roman soldiers, who, he reports, visit his temple to petition for salvation. Through an illiterate woman who acts as a medium, the abbot has discovered that Julius Caesar himself spent his final days in Yongchang county and died a Buddhist. Caesar's assassins apparently got the wrong man.

The curious physical features of the local Communist chiefs, Zhang Jianxin and Song Guorong, strengthen their belief that they are of Roman stock. Both have long straight noses, which any Chinese will tell you is the hallmark of a foreigner. Mr Song has long brown hair tipped with curls—quite different from the straight black hair of most Chinese. Mr Zhang tells of his delight when a group of foreigners arrived in the village in the early 1990s and told him about the Roman-settlement theory. “It was good to be connected with the Romans. We felt we'd discovered our ancestors.”

Evidence of a Roman town in Gansu province would indeed be exciting—if it could be established. One of the strangest aspects of China's history is that such a cultivated civilisation should have stayed isolated from its counterparts to the west for so long. The existence of not just a foreign settlement but a western settlement, some 13 centuries before the arrival of Marco Polo and 16 centuries before the Portuguese established a colony in Macau, would require some rewriting of history.

Funny stuff: 166 and all that

The earliest recorded official contact between China and Rome did not occur until 166AD, when, according to a Chinese account, a Roman envoy arrived in China, possibly sent by Emperor Marcus Aurelius. Remarkably, that was the only contact between the two great powers of which a record survives. The Romans referred to the people of the remote east as the Seres—the silk people. But that term could have referred to the Central Asian tribes whose trade with the Chinese no doubt included silk—which the Romans long thought grew on trees. The secret of silk production reached the West only in the sixth century, from the Byzantines.

An ambitious and relatively liberal-minded official, Jia Xiaotian, who took over as local party chief in 1993, was one of the first to see the potential of establishing a Roman connection—tourism. Few tourists reached Yongchang. If they came at all, they usually stopped there only briefly on trips tracing the historic silk road, the trading route along which, by the first century AD, Chinese silk made its way to Rome. Yongchang was several hours' drive from the nearest tourist attraction and a world away from the booming coast.

Mr Jia committed what some officials must have considered a heresy: at the top of the main street of the county town he erected statues of three towering figures. They stand there still: in the middle is a Chinese of the ethnic-Han majority. To his right is a woman of the Muslim Hui minority, the second-biggest group in the area. And to his left is a Roman. A plaque notes the Romans' contribution to “social progress and economic prosperity” in Yongchang.

James Miles

Friends, Romans, countrymen: Yongchang lends more than its ears

Mr Jia was promoted to become head of the provincial tourism authority in 1998. Soon afterwards, he published a script about the arrival of the Romans, and officials say he is negotiating film rights with an American company. The authorities meanwhile had declared that a 30-metre stretch of battered earthen wall was to be considered part of the city wall of the Roman settlement. Locals say the wall was about 200 metres long until the 1970s, when peasants blew up most of it in order to scatter the earth on their increasingly barren fields.

Yongchang is relatively well off by the standards of impoverished Gansu, but the town's museum does not have enough money to buy from the local peasants the ancient pots and coins that they dig up on their land. Even so, to get visitors in the mood, the county paid for a little Roman-style pavilion to be built atop the foundations of an old temple.

James Miles

The museum will soon put on show an exciting new find: the skeleton of a Roman inhabitant, some believe. It was found last year in a 2,000-year-old tomb unearthed during the laying of China's great west-to-east natural-gas pipeline, which runs through the county. The skeleton is of a 1.8-metre (5ft 11in) male. The average Chinese was then much smaller. In a grubby, bare room, the museum's officials proudly point to the bones, drawing attention to the straight teeth and long lower limbs—both features unusual among ancient Chinese.

All too recent to be anything but sensitive

It sets the mood

But this is China, and even archaeological remains can be politically controversial. The provincial government had refused your correspondent permission to visit Yongchang, saying the Roman connection was a “sensitive” issue involving ethnic minorities. After two unauthorised days there, your correspondent was accused of conducting “illegal interviews” and ordered to leave.

It may well irritate some of the proud custodians of China's cultural heritage that it was foreigners who first promoted the theory of the Roman settlement. Homer Dubs, a professor of Chinese at Oxford University, raised it in a lecture delivered to the China Society in London in 1955. According to Dubs, the journey to Gansu began in 53BC when Crassus, who together with Julius Caesar and Pompey formed Rome's First Triumvirate, decided to make up for his lack of military glory by going to war with the dreaded Parthians.

Crassus's legions were no match for the Parthian archers, nimble horsemen who could loose their arrows off even as they turned. Of the 42,000 Romans who set out, 20,000 were killed and 10,000 were captured in the battle of Carrhae, in modern Turkey; it was one of the most spectacular losses of Roman military history. According to Pliny the Elder, the Roman prisoners were used by the Parthians as guards on their eastern frontier in what is today Turkmenistan. From there, Dubs conjectured, some escaped and joined the Huns as mercenaries. In 36BC, Chinese troops on a punitive venture defeated the Hun ruler Zhizhi in today's Uzbekistan. Among their captives they found 145 Romans. Dubs says the Chinese kept the ex-legionaries as frontier guards, installing them in a specially created town called Liqian in what is now Gansu.

Dubs says the Chinese kept the ex-legionaries as frontier guards, installing them in a specially created town called Liqian in what is now Gansu

If only there were proof. Dubs's theory rests mainly on tantalising hints found in ancient Chinese historiography, none of which refers specifically to Romans. There is a reference to the use of a “fish-scale formation” by soldiers in Zhizhi's army, which Dubs said described the testudo formation of overlapping shields “made only by Roman soldiers”. And Zhizhi's town had a double wooden palisade outside its wall—a type of fortification he said was often used by Romans and not by the Huns. Then there is the name of the town, Liqian, which may have been used at the time to refer to the Roman empire. In 9AD the name of Liqian was changed for a few years to Jielu, which may mean “prisoners captured in storming a city”. In the sixth century Liqian ceased to be used as a placename.

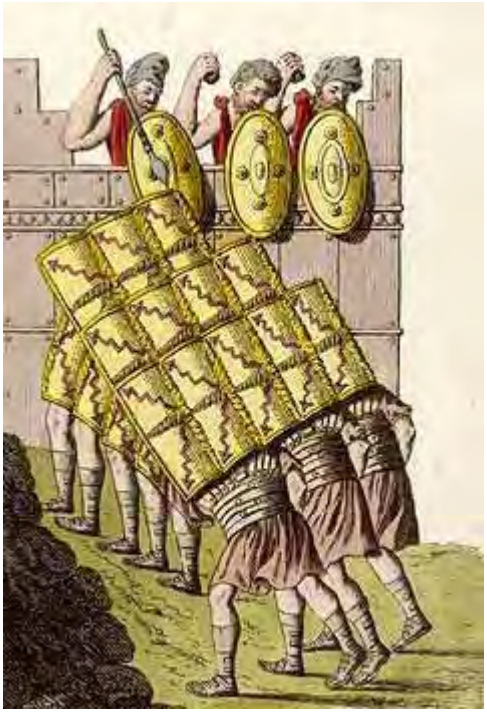
Dubs was not the only one to believe in the Roman connection. Guan Yiquan, a Chinese scholar in Lanzhou, the capital of Gansu, also became convinced that Liqian had links to Rome. From 1978 until his death 20 years later, he laboured on a huge 450,000-character tome on Liqian. According to his son, Guan Heng, it was not until 1988 that he saw a copy of Dubs's lecture, which happened to dovetail with his own views. Unfortunately, as the younger Mr Guan admits, it too contains no clincher.

Chinese officials would probably not have cottoned on to the tourist-pulling potential of the Roman story had it not been for an Australian writer and adventurer, David Harris. Mr Harris, virtually penniless and upset by the break-up of his marriage, decided to set out for China in search of the town mentioned by Dubs. With the help of the elder Mr Guan, he narrowed his search to the village of Zhelaizhai. His experiences are described in his travel book, “Black Horse Odyssey”.

MEPL

Mr Harris's efforts drew attention from the media, as well as from the authorities. Even the Communist Party's main mouthpiece, the *People's Daily*, carried an approving article. But there were sceptics aplenty. Liu Guanghua, a retired professor at Lanzhou University, says the name Liqian derives from the second and third syllables of the word for Alexandria, the Egyptian city sometimes used by the Chinese as a term for the Roman empire in general. Yet Alexandria was not conquered by the Romans until 30BC, and it was only after this date that the Chinese began to use the name in this way. Some scholars also think Liqian was founded well before the Romans were supposed to have settled there.

As for the somewhat foreign-looking faces of a few Yongchang residents, it would hardly be surprising to find some mixed racial features in the county, given that it straddles what was once a major trading route and borders on Central Asia, whose peoples look quite different from the Han Chinese. For a few among the people of one of China's poorest provinces, there is perhaps romantic consolation in the thought that they share their blood with Caesar. But the abandoned shell of a new luxury hotel and the dark empty corridors of the main guest-house in Yongchang suggest the romance is proving slow to take hold more widely.



Did Zhizhi copy this?

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The world's oldest companies

The business of survival

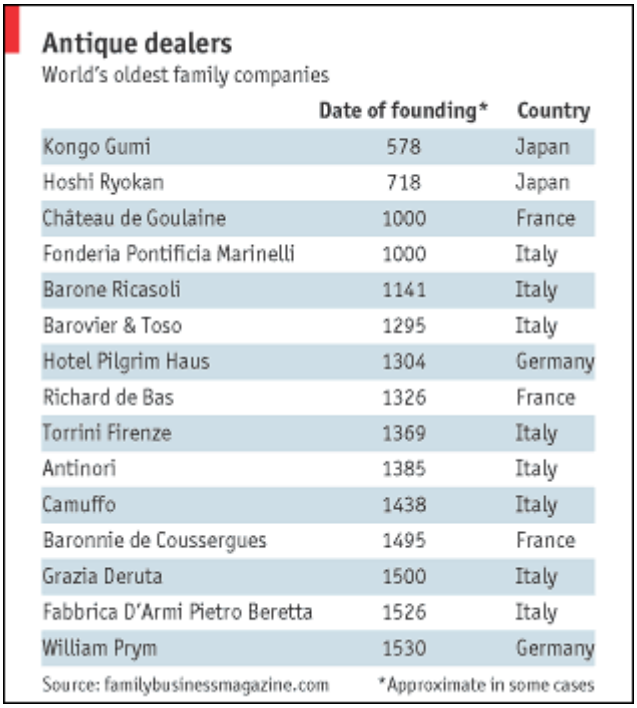
Dec 16th 2004
From The Economist print edition

What is the secret of corporate longevity?

ACCORDING to the book of Genesis, Enoch (or Henok), son of Cain and father of Methuselah, walked the Earth for 365 years and then ascended to heaven without dying. Inspired by this feat, a club was formed in France in 1981 that took his name. Les Hénokiens is a fraternity of companies that are at least 200 years old, have stayed in the control of one family throughout, are financially healthy, “modern” and are still run by a family member.

Each year representatives of the 33 member companies, from seven countries, gather for three days of fun and discussion. This year's host was Ditta Bortolo Nardini, an Italian grappa distillery founded in 1779. The nine members of Britain's Tercentenarians Club, founded in 1970 for firms at least 300 years old that still have a connection to the founding family, make do with an annual lunch.

The oldest member of Les Hénokiens is Hoshi, a Japanese inn founded in Komatsu in 718. Run by Zengoro Hoshi, the 46th generation of the family to be in charge, the firm's motto is unusually practical: “Take care of fire, learn from water, co-operate with nature”. But, according to “Centuries of Success”, published last year by William O'Hara, there is an even older company, also Japanese. Kongo Gumi, founded by a Korean in Osaka in 578, is a builder of Buddhist temples, Shinto shrines and castles—and now also offices, apartment buildings and private houses. Both are family businesses.



Antique dealers

World's oldest family companies

	Date of founding*	Country
Kongo Gumi	578	Japan
Hoshi Ryokan	718	Japan
Château de Goulaine	1000	France
Fonderia Pontificia Marinelli	1000	Italy
Barone Ricasoli	1141	Italy
Barovier & Toso	1295	Italy
Hotel Pilgrim Haus	1304	Germany
Richard de Bas	1326	France
Torrini Firenze	1369	Italy
Antinori	1385	Italy
Camuffo	1438	Italy
Baronnie de Coussergues	1495	France
Grazia Deruta	1500	Italy
Fabbrica D'Armi Pietro Beretta	1526	Italy
William Prym	1530	Germany

Source: familybusinessmagazine.com *Approximate in some cases

The oldest European family business, according to Mr O'Hara and Peter Mandel in *Family Business* magazine (see table), is Château de Goulaine, a vineyard in France's Loire valley that dates from 1000—and also boasts a museum and butterfly farm. Britain's oldest family business, founded in Huddersfield in 1541, is John Brooke & Sons, a textile-maker that helped clothe Britain's bravest during the battle of Trafalgar and the second world war, but has now abandoned manufacturing and turned its mills into a business park.

Not surprisingly, the oldest family firms in the United States are a bit younger. Zildjian Cymbal, of Norwell, Massachusetts, purveyor of cymbals and drumsticks to many of the world's greatest percussionists, was founded in 1623. But that was in Constantinople; the family did not emigrate to America until 1909. A more authentic choice is the Tuttle Farm, which grows strawberries and vegetables in New Hampshire, and runs a small shop. It is currently run by the 11th generation of the family.

Ancient, but maybe not commercially

Yet it is not easy to say with certainty whether such examples are really old, continuous businesses or, rather, latterday firms that were once trade associations, state organisations or, say, religious communities that turned commercial at some stage in their lives. Is, for example, Château de Goulaine really a 1,000-year-old business or a fine old castle that has only fairly recently taken to selling wine and displaying butterflies? The Shore Porters' Society, now a transport firm, whose lorries can be seen all over Europe, was founded in 1498, but for much of its history it was a semi-public body controlled by the town of Aberdeen, only gaining full independence in 1850. How long has it been a genuine business?

Calculating the age of big complex companies—many of which are public, not family owned—is arguably just as tricky, for many of these firms have grown through multiple acquisitions. That makes it hard to know to what extent they are truly descended from their oldest part. Harsco, for instance, a big American engineering and industrial-services company, can proudly trace parts of its operations to 1742, when a firm called Taylor-Wharton began life as a colonial iron forge. But Taylor-Wharton, whose early products included cannon balls for George Washington's continental army, was not absorbed into what is now called Harsco until 1953.

Today's biggest, best-known companies are mostly spotty youths by comparison with the ancient firms listed above—not least because their main activities have become possible only since the industrial revolution. Microsoft was not born until 1975; even General Electric cannot trace its roots further back than 1876. Most of the world's corporate elderly are in very old-economy industries, such as agriculture, hospitality and building. Of these, perhaps only banking has remained at the forefront of the world's corporate elite—and a few of the world's biggest banks can fairly claim to have reached a ripe old age. Britain's Lloyds TSB, for example, can trace itself back to a bank established in Birmingham in 1765 by a John Taylor and a Sampson Lloyd. Citigroup's family tree goes back to the City Bank of New York, founded in 1812.

Ars longa, business brevis

In “The Living Company”, Arie de Geus nominates Stora as the company that, for probably longer than any other, “has had the character of a publicly owned company from its very beginnings”. Stora began life as a copper mine in Sweden in 1288 and, 710 years later, merged to become Stora Enso, a paper, packaging and timber firm.

The debate about which company is the oldest is likely to endure longer than the firms themselves. What is clear is that corporate longevity is highly unusual. One-third of the firms in the *Fortune* 500 in 1970 no longer existed in 1983, killed by merger, acquisition, bankruptcy or break-up. According to Leslie Hannah, a business historian at the University of Tokyo, the average “half-life” of big companies—that is, the time taken to die by half of the firms in the world's top 100 by market capitalisation in any given year—was 75 years during the 20th century. For small companies, most studies suggest a half-life in single figures. Corporate infant mortality is particularly high; the first year is the hardest.

How, then, have a few elderly firms succeeded in defying the corporate life-cycle? For most of them, luck has played a part, says Mr O'Hara. But he also identifies several other factors that have helped family firms in particular. Primogeniture has often ensured that a firm did not get torn apart by feuding heirs during generational succession—a common problem now that the eldest son no longer automatically inherits the lot in most countries. In general, unity and trust within the family have been vital. Long-lived firms have also been progressive about taking women into management—albeit usually out of necessity. And they have often been willing to take on new managers through legal adoption when the older generation's seed has fallen on fallow ground.

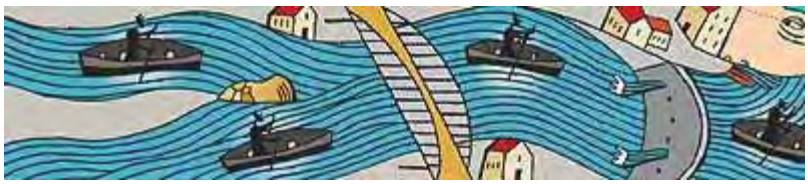
John Davis, of the Harvard Business School, is writing a book on the few family firms that do not succumb to the old rule of shirtsleeves to shirtsleeves in three generations. He says that three factors lie behind longevity: “By the end of every generation, family firms need to have built a reservoir of trust, pride and money so that the next generation has enough of them to maintain the momentum of the business and the spirit of the family.” Surviving succession is often a huge test. But most older firms have also had to evolve in order to keep pace with the times. Kikkoman, for example, founded in 1630 and now the world's leading maker of soy sauce, has expanded into food flavouring and, latterly, into biotech. This, says Mr Davis, requires a boldness that may be possible only with plenty of trust, pride and money. It also needs a good grasp of the firm's core competence: in this instance, knowing lots about yeast, a common factor in all of Kikkoman's activities.

One-third of the firms in the Fortune 500 in 1970 no longer existed in 1983, killed by merger, acquisition, bankruptcy or break-up

This point is echoed by Jim Collins, a co-author of the enduring “Built to Last—Successful Habits of Visionary Companies”. Survivors, he says, are very good at, on the one hand, following a set of unchanging principles and, on the other, separating what they do and how they do it from “who they are”. Over hundreds of years, the firm must hold its fundamentals dear, yet constantly change, he says.

Mr Collins is often criticised for seeing too much virtue in survival. After all, many companies whose products have become obsolete have blown a fortune trying to find ways to stay alive—the corporate equivalent of an old codger squandering the children's inheritance on untested medicine when what was really required was a graceful exit. Certainly, Mr O'Hara's list of the world's oldest firms contains some gems—Kikkoman, Sumitomo (general trading), Berry Brothers & Rudd (wine merchants), Taittinger (champagne), Beretta (a gunmaker)—but also many that are unremarkable except for their age.

So is longevity really something to celebrate? Not according to Mr Collins: surely the point of being in business is to do something remarkable, not merely to survive? A lot of mediocre companies endure for many decades, he says, but “it's like running a ten-hour marathon. What's the point?” Something for the Tercentenarians to chew over during their next annual lunch.



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Financial trades

Why didn't I think of that?

Dec 16th 2004
From The Economist print edition

Were these the best financial trades ever carried out?

THE history buff is in no doubt: the greatest trade ever was the Louisiana purchase in 1803. It was certainly a splendid deal for America, which picked up a great whack of land between the Mississippi and the Rockies for a song. But was it a trade? More of a treaty with a sale-and-purchase agreement tacked on, actually, as was the snapping up of Alaska from the Russians some 60 years or so later. To qualify as a trade—at least for the purposes of this article—a deal must be a financial transaction designed and executed using financial instruments to profit from an insight into a market opportunity. In other words, it cannot be something that happened by accident or sheer luck. And it cannot be a deal—a breathtaking takeover, an audacious property punt or an early investment in Google. Any of these might be both clever and lucrative, but it would not be a trade.

Unfortunately, that rules out one of history's quirkiest exchanges. In parts of 15th-century Africa, salt was more precious, because scarcer, even than gold. Traders determined enough to transport salt a thousand or so miles from the north found they could exchange the white stuff for its equal weight in gold—surely one of the best deals ever, reckons Peter Bernstein, whose book on “The Power of Gold” includes this tale. True, but it was sheer luck combined with grim effort, not special financial skill, that brought wealth to those fortunate barterers. Nor were financial tools essential.

Also ruled out must be the group of middle-class women running a charity in Arbois, a small town in France, two centuries ago. In the autumn of 1807 they noticed that bad weather was threatening the grain harvest. Fearing that high prices during the winter would stop their distribution of food to the poor, they went to the local market and paid well above the prevailing price in order to lock in future supplies—an early example of futures trading. During the winter, prices indeed shot up. Had they been speculating, they would have made a fat profit. That was not their aim, though, and there is no evidence that they continued to trade.

No, to be among the greatest trades, there must be something of that special characteristic that makes observers wonder why they had failed to think of it themselves. The quality that elicits admiration may be just the simplicity of the idea; or it may be the sheer imagination that constructed a complex set of interactions designed to bring about a specific profitable outcome. Trades involving the modern mechanisms for trading commodities are certainly eligible to be called the greatest: some of the biggest, boldest and most secretive traders are to be found in the oil and metals markets. So, too, are deals involving derivatives, for they are more than mere mechanisms for executing trades, often using extra techniques to boost returns.

Soros sets a standard

Some trades are already well known, and deservedly so. George Soros became a household name after he made Britain's chancellor of the exchequer look an idiot by forcing the pound out of Europe's exchange-rate mechanism in 1992. Mr Soros is reckoned to have made a profit of $1 billion by borrowing heavily to bet that sterling would be devalued. That sets a testing benchmark against which to measure other candidates.

But plenty of traders have made tidy sums and had arguably brighter ideas. Often they wish to remain anonymous, either embarrassed by their success or, more likely, anxious to avoid the attentions of mendicants. A fine example is the young Morgan Stanley man who retired after the 1987 stockmarket crash. His insight was that the heady levels of the market were strikingly reminiscent of an earlier boom that had gone spectacularly bust in 1929.

He used his knowledge of the market to load up on put options (those that give the holder the right to sell) on the S&P 500 share index, and even persuaded his mother to buy some. The options were ridiculously cheap because no one thought they would ever be exercised, so far would the market have to fall for them to be valuable. Fall it did, and the trader had the nerve to wait for Black Monday—October 19th 1987—rather than cash in during the tremors of the previous week. Having sold his options for about 800 times what he had paid for them, he is said to have walked away with $13m and was last heard of living on a ranch in Montana.

That combination of pluck, tenacity and reserve is powerful. But $13m is small change for Mr Soros. Moreover, the winner of the biggest-trade title will get no prize for modesty. In fact, most traders are far from shy about their talents. Remember the Big Swinging Dicks made famous by Michael Lewis in his novel, “Liar's Poker”? One BSD merits such a mention. In the 1980s Andy Krieger was a star at Bankers Trust, an investment bank that later imploded. In his heyday there, Mr Krieger made hundreds of millions of trading profits, before resigning in 1998—to go, as it happens, to work for Mr Soros.

Putting the kiwi to flight

Mr Krieger is scarcely remembered these days except perhaps in one country, New Zealand. The trade for which he deserves mention involved the kiwi, as the New Zealand dollar is known in currency markets. And here is a measure of just how big a BSD Mr Krieger was. During 1987 he sold short (hoping to buy back more cheaply in future) more kiwis than the entire money supply of New Zealand. So huge were his bets against the currency that it is not really surprising that they succeeded, causing the kiwi to collapse. It is said, apocryphally, that New Zealand's finance minister telephoned Bankers Trust to complain and beg for mercy. In fact, the government was privately pleased, because the weaker currency gave a helpful push to the country's struggling exports.

To put Mr Krieger's effrontery into context, he was just one trader in a veritable sea of them on Wall Street, in London and elsewhere. In a sense, he took on his entire industry and won. But some context is important. Mr Krieger was on to options early, and he soon realised that the youngish options market was inefficient, not least in its failure to ensure that options prices were a fair reflection of prices on the underlying cash markets. Much of his success came from his readiness to make maximum use of that inefficiency by placing huge bets.

It would be impossible to repeat his feats today. One reason is that banks are far warier and no one is usually accorded the almost limitless freedoms Mr Krieger enjoyed. When big trades are done, they are often seen afterwards as failures of risk management. Another reason why the world will probably not see another Mr Krieger is that today's markets are much more efficient: the excess returns that he scooped up are no longer on the table, and only if new markets emerge will there be fresh sources of profit for pioneers. Indeed, a feature of modern financial markets is that they are tending to become more efficient, and that has made great trades harder than ever to concoct. That is one reason why those that do occur get big rewards.

Having sold his options for about 800 times what he had paid for them, he is said to have walked away with $13m and was last heard of living on a ranch in Montana

Most great trades are done in secret by highly paid traders working for investment banks, hedge funds and so on. Rarely does this institutional activity cross paths with the world of retail finance. But for inventiveness in linking the

two activities, one trade clearly stands out.

It originated in 1992 when the Italian government changed its previously lax rules on withholding tax for Eurobonds. At that time some specialist teams in London and other big financial centres did nothing but seek out tax arbitrages: by buying this bond here and moving it there, it was often possible to avoid taxes at the point of purchase and thereby earn extra returns. Exploiting Italy's rules had been one of the neatest such wheezes, so when it was thwarted several of the tax teams found themselves wondering what to do next.

Among them was Ludovico Filotti, who worked for Barings. In 1993 Mr Filotti was on holiday in Italy. Reading the local newspaper, something caught his eye. An advertisement was encouraging companies to buy bonds issued by Italy's Post Office. These bonds were postal savings bonds, rather like Britain's national savings certificates, and carried the guarantee of the Italian state. Mr Filotti was curious: normally such bonds would only be for retail investors, so he wondered on what terms companies could invest. Back in Britain, he sent his Italian father the equivalent of £100 and asked him to nip down to a post office to buy a bond certificate so that he could study the small print on the bond.

What he found was encouraging. The postal bonds were “zero coupon”, that is, unlike most bonds, which pay annual interest instalments, they would pay nothing until they matured, so investors would have to wait a set period before pocketing their returns and recovering their original investment. The bonds promised a return of three times the initial investment after 12 years—a rate equivalent to 9.6% a year.

Back at his bank, Mr Filotti explained his discovery to a colleague, John Hunter, who realised that this highly attractive rate would be even more so if the equally juicy rates on Italian-government bonds were to fall. That would open a spread between Italy's ordinary borrowings and the postal bonds, just the kind of “arbitrage” opportunity traders love. But the most remarkable feature of the offer was that there was no upper limit on how much could be invested. Nor were there disadvantageous tax obligations for foreigners.

In fact, the arbitrage quickly disappeared when Italy's interest rates rose rather than fell. The trading idea sat on a shelf. But, towards the end of 1995, Italy's economy began its path towards convergence with those of the other countries hoping to join the euro. That meant its interest rates began to fall. And, in the summer of 1996, they started to fall dramatically. Suddenly, the Post Office trade was on. Mr Hunter persuaded his new employer, a big Japanese bank, to buy $50m of the postal bonds.

At this stage, his trade became one of the greatest ever. It also became amusing. Mr Filotti, who had also gone to work at the same Japanese bank, flew to Italy and, escorted by police, carried a banker's draft for the equivalent of $50m into a post office. Queuing up alongside pensioners claiming their modest weekly infusion, he exchanged the draft for a savings bond. Soon the certificate was safely lodged in London. With no limit on the amounts that could be invested, a huge and profitable arbitrage was there for the taking.

Readers who are not financial experts need not worry about exactly how banks can exploit such trades, while the experts will understand that the bonds offered both option and swap opportunities to lock in big profits. Around the time of the trade, there was also large and unusual activity in the market for swaptions (options on swaps).

Mr Hunter, however, was unable to persuade his conservative masters to go further. No matter: he sold the idea for the trade, first to a single rival bank, then to several others. This set off a mad rush to buy the bonds before the opportunity disappeared. Bankers flew in droves to Italy, jostling to be in front of each other in the queue. In double-quick time UBS bought over $1 billion-worth of the bonds. CSFB bought the most, but, according to *International Financing Review*, a trade magazine, later gave back its profits when the Italian government threatened to withhold lucrative mandates for privatisations. Nomura made the biggest single purchase, plonking down $1.1 billion on the counter of a bemused clerk, who duly filled out a certificate for more than a trillion lire.

Of course, it could not last. After $3.6 billion of the bonds had been issued in the space of a few days, the Italian government suddenly put a ceiling on the amount that could be bought and made threats to the

banks' future fee income. Too bad. Mr Hunter, however, is now the chief executive of Brains, a specialist broker that tries to make money by selling clever ideas to other traders.

Bubble, bubble, short and double

However, an even better contender for the title must be the trade conceived by Sir John Templeton to profit from the 1990s internet bubble. A renowned investor, Sir John will be remembered for many trades, not least the one in 1939 in which he bought shares in 104 almost worthless, and in some cases already bankrupt, New York stockbrokers. Hitler had just invaded Poland, and the young Mr Templeton correctly foresaw that abundant surpluses of goods and commodities would soon become scarcities, leading to a strong recovery of financial-asset prices. Within three years he had turned a profit on 100 of the 104 purchases.

Sixty years later, long experience suggested to Sir John that technology and internet shares were an especially inflated part of a huge bubble. The problem was to construct an investment strategy that could exploit this. His solution was ingenious, so much so that it wins the “Wish I'd thought of that” prize by a mile.

For every flotation there is a “lock-up” period during which insiders at the company are forbidden to sell any of their shares. Sir John reasoned that, in a bubble market, these insiders would generally be keen to sell once they could. After all, this was their only way of getting a lot of money out of their venture if it was unlikely to mature into a profitable long-term business and, as insiders, they ought to know better than anyone that few of their companies were likely to stay the course. So he systematically sold their shares short just before the end of the lock-up. That meant he could buy the shares back more cheaply if they fell in price, as he reckoned they would.

Nomura made the biggest single purchase, plonking down $1.1 billion on the counter of a bemused clerk, who duly filled out a certificate for more than a trillion lire

Sir John acted with great discipline. First, he decided to sell only those shares that were trading at more than three times their original price. Then he set precise points at which he would take profits if prices fell—and he would ruthlessly cut his losses if a particular share held up unexpectedly. In the end he made 84 separate transactions, each for $2.2m. The results were spectacular. Sir John made a return of almost 50% on his $185m bet. On some positions, he made profits of more than 90%.

Not bad, but still pretty piffling by Mr Soros's standards. To outdo his $1 billion coup, consider a scheme whose returns have been so great they are unmeasurable. Fittingly, as the winner of the “greatest trade” title, it requires only brief description. In 1996 and 1997 Italy (yes, again) was desperate to reduce its public-sector deficit so that the country would qualify for entry into the euro. One unintended boost came from the sale of the postal bonds described above—bizarrely, because they matured after the euro deadline, they were not counted as current debt. But the stroke of genius by officials in Italy's finance ministry was to enter into a secret trade that simultaneously brought in cash, took some debt off the books and deferred the repayment of the cash and the debt until after the euro deadline had been successfully reached.

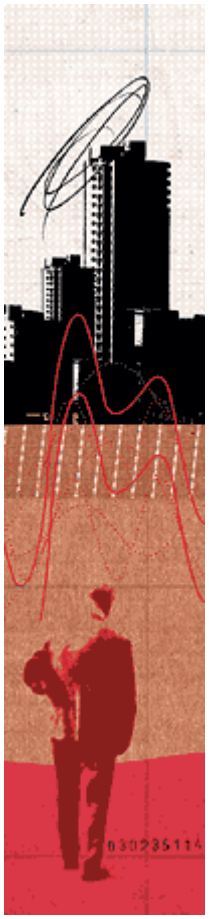
Many economists were amazed when Italy defied expectations to qualify for the euro. And its admission into the system has been worth an incalculable fortune. It has brought huge savings via systematically lower interest rates and greater economic efficiency. Had Italy not qualified, its economy might have crumbled. Certainly, its public-sector finances would be in dire straits.

The trade itself was fairly simple, though complicated enough to ensure that it came to light only in late 2001, when Gustavo Piga, an economics professor, stumbled across it while studying public-debt policies. Essentially, Italy used a swap to defer interest payments on an issue of $1.7 billion of yen-denominated bonds that it had made in 1995, at the same time taking an up-front payment for the swap that was later repaid with interest. Thus was Italy able to make it into the euro, merely at the price of a big repayment on the swap in 1998.

Think of the various elements of the trade. It was bold and risky. It relied on secrecy. It was brilliantly conceived to solve a specific, and apparently insurmountable, problem. It

was executed with great skill. And, for a fee, it gave Italy the opportunity to be part of the euro system, with its incalculable rewards. Part of its appeal is that the profits came not from the counterparty on the trade itself, but from the economic consequences of the trade.

Of course, it was also thoroughly dodgy—had it been done by a company, the management would probably be in prison for cooking the books—though the Italians have always maintained that it exploited weak rules, rather than broke strong ones. But there is no need to be churlish. This was, after all, the greatest trade ever. *Bravissimo!*



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About sponsorship

Academics and The Economist

Capitalist, sexist pigs

Dec 16th 2004
From The Economist print edition

The heirs of Derrida and Foucault interpret The Economist

WHEN time hangs heavy in the groves of academe, or when students have run out of obscure topics on which to write a dissertation, thoughts sometimes turn to *The Economist*. According to a search in the archives of the Modern Language Association, a society of literary academics, *The Economist* has been the main subject of half a dozen works published recently in the books and journals it tracks, not counting plenty that remain unpublished.

In 1998, for example, Terry Royce wrote a chapter entitled “Intersemiosis on the Page: A Metafunctional Interpretation of Composition in *The Economist* Magazine”. Intersemiosis, it seems, has something to do with meaning and interpretation. That same year saw “The Yearbook of International Proverb Scholarship” publish a work by Yisa Kehinde Yusuf entitled “*The Economist*, Proverbs and Ms Kim Campbell's Speech”.

Back in the 1980s, post-modern academics were basking in the youthful confidence of a new field. These were the people who, especially on American campuses, devoted themselves to disciplines (the word is used loosely) with the word “studies” attached: media studies, film studies, cultural studies and ethnic, racial, gender and sexual studies.

Soon came another word, “critical”, as in “critical legal studies”. How is “critical legal studies” different from, say, “law”? The defining feature of the critical-studies course is that it takes almost nothing at face value. The goal is to deconstruct, to uncover the hidden, multi-faceted meanings and thereby to reveal the codes of power. This ambition owes much to two French thinkers. One, Jacques Derrida, who died in October, is credited with inventing “deconstruction”—the attempt to interpret texts, while keeping in mind the notion that meaning itself was elusive. The other, Michel Foucault (1926-84), saw language as a product of power. For him, truth was not fixed and immutable. It was relative and flexible, defined by whoever is in charge.

So even newspapers have hidden meanings, all waiting to be revealed. That may help to explain the title of Christine Harris's 1986 paper, “Decoding *The Economist*”. Another scholar, apparently more taken with turns of phrase, wrote “Article Headlines in *The Economist*: an Analysis of Puns, Allusions and Metaphors”. And in 2001 Charlotte Hooper, of Bristol University, wrote “Manly States: Masculinities, International Relations, and Gender Politics”, which seems to argue, among other things, that masculinity is shaped in part by international relations. One of her chapters is entitled, “*The Economist*'s Masculine Credentials”, another “*The Economist*, Globalisation, and Masculinities”.

All a bit of a puzzle, really

At least three authors have recently probed even deeper into the meaning and techniques of *The Economist*. In “Reading *The Economist* on Globalisation: Knowledge, Identity and Power”, Martha Starr, a professor at American University, looks at *The Economist*'s take on globalisation. It is a puzzle, she writes, that *The Economist* covers globalisation so favourably. Our readers are, she believes, already likely to share “the dominant code” supporting globalisation that is common among business elites. They are unlikely to need persuasion. So why does *The Economist* try to provide it?

To solve this riddle, she conducts a textual analysis, “excavat[ing] from the text some tactics used to define, codify, and limit discourse to certain realms of economic knowledge, while excluding, belittling or ignoring knowledge from other domains.” *The Economist*, apparently, insists on seeing the world through a neo-liberal “metanarrative”.

Would our readers agree? Much academic research is now devoted to finding out how people read the popular press. One view, that of Theodor Adorno and the Frankfurt school, is that the popular media exist to dull people's minds and get them to accept the work and consumption patterns that are needed to sustain capitalism. Yet people are not as stupid as the journalists believe, argue the Frankfurters: although newspapers may encode messages designed to serve the interests of the powerful, readers are able to “decode” these messages and even subvert them. Readers take their own meanings and pleasures from the popular press.

Ms Starr concedes that *The Economist*'s defence of globalisation may be hedged with all sorts of nuance, details and opposing points of view. But don't be fooled. The main, received tenets of the benefits of globalisation are at the core of the newspaper's mission, she claims. We advance an “active programme to constitute knowledge of globalisation” as well as “a programme of knowledge construction” in a bid to struggle for power—exactly what Foucault was talking about.

First in this programme is the contrast between the knowledge of mainstream economists and the knowledge of “others”, people excluded from the dominant power. Second, *The Economist* employs a “don't panic” strategy. Both of these strategies are used for a common end. Our idea that globalisation is the only way to cure global poverty is a “fantasy bribe”, fooling the reader into thinking he is helping to change the world order, while actually reinforcing existing systems of power. Her conclusion:

> Thus, as much as one can see 's message on globalisation as ideological drivel advancing the interests of elites, it resonates for readers—not by tricking them into seeing globalisation through a distorted lens, nor just by giving them a way to intellectually justify their deeds—but by repeatedly invoking this hope and promise of realising Utopian ideals through the globalisation process.

So there it is: a publication to make you feel good about tomorrow, by advancing capitalism today.

The hidden truth in death

Another academic, Stephen Moore of Macquarie University in Australia, examines what, at first glance, may seem to be the least ideological of this newspaper's regular features: the obituary. His aim is to show that, even on this page, you can still uncover the “view/construction of reality” on which a newspaper operates. The post-modern tools he uses for this exercise? Not just “critical discourse analysis”, but also “systemic functional grammar”.

Mr Moore looks at the first 100 obituaries published after the feature was introduced in 1995. Of these, it seems, 38 were about Americans, which greatly over-represented the United States' share of world population. In the first year of the obituary page, only five of the departed were women, and only one

came from the third world; 79 of the 100 were Caucasian. The typical subject, Mr Moore concludes, was “a white English-speaking male, over 70 years old, hailing from an industrialised country...who was most likely to have been a politician or a member of the intellectual community”. Although he concedes that this profile fits only five of the 100 souls perfectly, the evidence is already pointing towards white-male hegemony.

If numbers fail to convince you of any ideological preferences, take a couple of examples: those of Jack Mann, a former British fighter pilot who had also been held hostage by Hizbullah, and General Aideed, a Somali warlord. Mr Moore compares these two obituaries in four stages, “each at an increasingly delicate level of analysis”.

Mann's obituary was given the title “Jackie Mann”, using the familiar form of Jack which, Mr Moore argues, helped to give the reader a sense of familiarity with the subject of the article. Masculinity was emphasised “(ie, read ‘man’ for Mann)”. The photograph was not merely that of Mann grinning with his hand in a “thumbs up” sign. In addition, the “sharp diagonals in this image can be read as vectors indicative of a narrative genre which is in fact borne out in the actual text.” In contrast, General Aideed received nowhere near the respect in death accorded to Mann. The general's first name was not used at all, an example perhaps of “distancing” to foster an alienating effect. Mr Moore also notes our inclusion of Aideed's cause of death, something mentioned only twice in the 100 obituaries, both times in the context of a black man who had been shot dead. Aideed, it seems, was being packaged as a “sinister man of dubious character”.

In a newly fashionable effort to quantify claims about how power is transmitted through words and images, Yana van der Meulen Rodgers and JingYing Zhang, of the College of William & Mary in Virginia, have analysed *The Economist*'s photographs. Their paper, “A Content Analysis of Sex Bias in International News Magazines”, asks, first, how often are women portrayed compared with men? Second, how often are men and women depicted in a sexual way? For answers, they looked at all the issues of five news magazines, including *The Economist*, in 2000, and the photographs in *The Economist* in even-numbered years from 1982 to 2000.

The Economist had more frontal nudity in its photographs than all the other magazines combined. When it came to “partial breast exposure”, it was at the top of the league

All the magazines studied contained an over-representation of women depicted in sexual ways. But *The Economist*, apparently, had more frontal nudity in its photographs than all the other magazines combined. When it came to “partial breast exposure”, it was at the top of the league. Particularly curious to the authors was our use of sexual content to illustrate stories on topics such as finance and technology. A photograph of three bikini-clad beauty contestants, used to illustrate a story on financial regulation, with the caption “Pick your regulator”, was both emblematic and problematic.

Part of the explanation for our practices, the authors surmise, is an attempt to mimic Britain's tabloids, in which nude photographs of women on the third page are not unheard of. This, they argue, “aligns *The Economist* more closely with the tabloid press than the world's influential news magazines.” They also note, incidentally, in a footnote:

> Back issues of differ noticeably from the other news magazines in the use of pictures of males in drag clothing. Because these pictures were not revealing male sexuality or male body parts, we excluded them from the category of male with sexual content. The number of pictures of males in drag clothing averages about 3 per year. Among other magazines in the sample for the year 2000, only contained one image of a male in drag clothing.

Sadly, the insights of media and other cultural studies are nowadays in danger of marginalisation. Stanley Fish, an American professor widely associated with the deconstructivist school, pronounced the death of such criticism last year. That is a pity, for surely the dominant paradigm, that concept so beloved of post-modern radicals, is in need of continual subversion. This newspaper is all for it.

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About sponsorship

Cranberries

Red, round and profitable

Dec 16th 2004
From The Economist print edition

Alamy

An adaptable little fruit

SOME time between digesting Christmas dinner and putting your head back down to work, spare a thought or two for the cranberry. It is, of course, a symbol of Christmas: merry bright red, bittersweetly delicious with turkey and the very devil to get out of the tablecloth if spilled. But the cranberry is also a symbol of the modern food industry—and in the tale of its progress from colonial curiosity to business-school case study lies a deeper understanding of the opportunities and dilemmas of modern eating.

The fastest growing part of today's cranberry market is for cranberries that do not taste like cranberries. Ocean Spray's “flavoured fruit pieces” (FFPs, to the trade) taste like orange, cherry, raspberry or any number of other fruits. They are in fact cranberries. Why make a cranberry taste like an orange? Mostly because it is a durable little fruit: FFPs have a shelf-life of two years. Better still, they keep a chewy texture when baked, unlike the fruits whose flavours they mimic, which turn to mush.

The dynamic that has brought the cranberry to this point is similar to the dynamic behind most mass-produced goods. Growing demand provided the incentive to create cheaper and more reliable supply. Cheaper and more reliable supply, in turn, created incentives to find new markets, which increased demand. Thus was the cycle kept churning.

Thank the Indians

The cranberry is one of only three fruits native to North America, growing wild from Maine to North Carolina. (The others are the Concord grape and the blueberry.) The American Indians had several names for cranberries, many incorporating the words for “bitter” or, more mysteriously, “noisy”. They ate the berries mostly in pemmican, but also used them for dye and medicine. And they introduced them to the white settlers—at the first Thanksgiving dinner in 1621, it is said. The settlers promptly renamed this delicacy the “crane berry”, because the pointy pink blossoms of the cranberry look a bit like the head of the Sandhill crane.

In due course, it was found that boiling cranberries with maple sugar turned bitter to bittersweet, and the sauce became a staple of the New England diet. In a letter home in 1680, a settler explained,

> We have from the time called May until Michaelmas a great store of very good wild fruits as strawberries, cranberries and hurtleberries. The cranberries, much like cherries for colour and bigness, may be kept until fruit comes in again. An excellent sauce is made of them for venison, turkeys and other great fowl and they are better to make tarts than either

gooseberries or cherries. We have them brot to our homes by the Indians in great plenty.

Cranberries really got going, metaphorically and literally, after the revolutionary war, when they became the American navy's equivalent of the British navy's lime. Kept in barrels on board ship, they provided the vitamin C to stave off scurvy on long voyages. Astute traders received up to $50 (about $750 in today's money) a barrel. The snag was that the suppliers had to depend on wild cranberries for their crop. They could not grow them.

Part of the problem was that cranberries required unusual soil: a poorly drained, highly acid combination of peat and clay, typically found where glaciers had scoured the earth. But that was not enough, and until 1816 no one knew what else was needed. Then Henry Hall, a Cape Cod farmer, noticed that the biggest, juiciest wild cranberries grew where the wind blew layers of sand over the plants. He tried spreading sand over cultivated plants and, lo, the wild cranberry was tamed.

Cranberry production became increasingly automated in the 19th and 20th centuries, partly thanks to a series of ever-more-efficient mechanical harvesters. But the two main innovations came from observing the natural properties of the fruit. Cranberries bounce. According to folklore, this discovery was made by John Webb, the first man to grow them in New Jersey and also the unfortunate possessor of a wooden leg. His leg made it difficult to carry boxes of cranberries down to the cellar where they were graded and preserved. So he rolled them down. The good berries all bounced to the bottom. Spoilt or damaged ones went splat on the first couple of steps. Albeit with more sophisticated equipment, this bouncing procedure is still used for the automatic sorting of cranberries.

Cranberries also float, thanks to the same internal air pockets that make them bounce. In the 1960s growers began harvesting their crops by flooding the fields, whooshing the cranberries from the vines with a sort of overgrown egg-beater, and then corralling the floating berries with large booms. This technique doubled picking productivity and, as a bonus, left the fields flooded over the winter, thus protecting the vines from frost. All but the 15% or so of the berries sold as premium fresh fruit, as distinct from juice, sauce or whatever, are now “wet”-harvested. The upshot is that the harvesting and processing of cranberries are among the most mechanised of all crops.

Alamy

Just add vodka

For life, not just for Christmas

The company most responsible for making the cranberry a paragon of manufacturing efficiency is Ocean Spray, a co-operative, now owned by over 800 cranberry-growers, which in 2003 sold about $1.2 billion-worth of cranberries and cranberry products worldwide. Ocean Spray was founded in 1930 by three growers who banded together to shelter from the Depression. One of them, John Makepeace, also wanted to secure supplies for his brand of canned cranberry sauce, from which the company took its name.

For nearly three decades, Ocean Spray grew slowly but steadily. Then, in the autumn of 1959, the American government announced that it had found pesticide residues in cranberry sauce—“from berries produced in the Pacific north-west, not ours”, Ocean Spray officials are quick to add, even 50 years later. The scare passed quickly; tainted supplies were withdrawn and new inspections put in place. But sales were wiped out in November and December and, since few people ate cranberry sauce except at Thanksgiving and Christmas, Ocean Spray lost a year's sales.

For that reason, the company decided to create products that would sell all year. Juice was the obvious product to exploit. Ocean Spray wanted juice with a long shelf-life so that it would be easy for consumers to store and, more important, easy for the company to distribute.

The hard part of making fruit juice with a long shelf-life is not preventing spoilage—pasteurisation and packaging can deal with that—but preserving colour and appearance. Most fruit juices go a yucky brown when kept for more than a fortnight, and develop an off-putting sediment. Luckily for Ocean Spray, the chemicals that make cranberry juice red are among the most stable in the fruit world (which is also why they are so hard to get out of your tablecloth). Still, it took four years to develop filtering and packaging that would preserve

Cranberries also float, thanks to the same internal air pockets that make them

colour and prevent sediment for nine months to a year, the goal.

When Ocean Spray launched its juices in 1963, it faced a second problem: getting people to buy them. And here it created the second of the cranberry's business-school case studies, teaching would-be brand-marketers to concentrate on creating demand as well as building a brand. In addition to all the usual advertising tricks employed by food companies like Kellogg's, General Mills and Kraft—catchy jingles, slogans and pictures of appetising drinks—Ocean Spray devoted a lot of energy to working out how it could get people to taste its wares. It lit upon two helpers: barmen and doctors. Barmen, it reckoned, were always looking for new drinks to entice the jaded palettes of their customers, so it created promotions for cranberry cocktails. Doctors, in turn, were given seminars and literature to tell them how cranberries could help to cure bladder and other infections, particularly in women, apparently by reducing the ability of bacteria to live within the body.

Despite 40 years under assault from competitors, Ocean Spray still holds 54% of the cranberry-juice market and 20% of the supermarket “juice shelf”. Stu Gallagher, who heads Ocean Spray's international marketing, still relies on the same basic tactics to increase sales outside America, where the market for juice is still growing. Demand-building efforts get people to taste the stuff, brand-building gets them to stay loyal to Ocean Spray.

But selling cranberries does not stop there. In the 1980s Ocean Spray learned it could sell dried cranberries to, among others, bakers and cereal-makers. But the hulls from the fruit made into juice were smashed. So it developed technology to get the juice out without crushing the berries. Distilled water was pushed into the hulls, and juice passed osmotically out. The result was juice, plus a whole, water-filled hull.

The beauty of this process was that it could also be made to work in reverse, so cranberry hulls could be filled with juice from blueberries, mangoes, raspberries or whatever. Thus “flavoured fruit pieces”. Richard O'Brien, head of Ocean Spray's “ingredients technology group” claims two advantages for FFPs. One is that cranberries bake well and preserve well. The other is that, as the manufactured by-product of juice, they can be sold at a constant, predictable price—unlike grown fruits, whose price varies with the harvest. Bakers like to be able to predict their profit margins.

Ocean Spray's R&D department is always keen to get its FFPs into whatever state the food companies want. A recent innovation is gelatine-treated fruit pieces that stay soft and chewy on the shelf for two years—ideal for breakfast cereal. No wonder sales of FFPs now exceed $100m a year.

It all helps to keep the growers growing, and grow they do. At over 270,000 tonnes, the 2004 harvest was almost five times 1960's. The bright little cranberry is bouncing along as never before.

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About sponsorship

Go

The game to beat all games

Dec 16th 2004
From The Economist print edition

The most intellectually testing game ever devised?

Getty Images

Too difficult for computers

THE heavyweight pros on late-night cable television boast nicknames such as Monster, Razor, Butcher, Assassin and Knitting Needle. The most famed matches in history include the Blood Vomiting Game of 1835, the Famous Killing Game of 1926 and the Atomic Bomb Game of 1945. No, this is not some bone-crushing contact sport. It is a simple parlour game where two opponents, comfortably seated and often equipped with nothing more than folding paper fans and cigarettes, take turns placing little stones, some black, some white, on a flat wooden grid. Simple regarding rules and gear, that is, yet so challenging that in this mind-game, unlike chess, and despite the long-standing offer of a $1.6m reward for a winning program, no computer has yet been able to outwit a clever ten-year-old.

The game known in English as go—*Igo* in Japanese, *Weiqi* in Chinese, *Baduk* in Korean—is not just more difficult and subtle than chess. It may also be the world's oldest surviving game of pure mental skill. Devised in China at least 2,500 years ago, it had stirred enough interest by the time of the Han dynasty (206BC-220AD) to inspire poets, philosophers and strategic theorists. One of these strategists, Huan Tan (who died in 56AD), advises in his work “Xin Lun”, or “New Treatise”, that the best approach in the game is to “spread your pieces widely so as to encircle the opponent.” Second best is to attack and choke off enemy formations. The worst strategy is to cling to a defence of your own territory—a warning that would have benefited, say, the designers of France's 1930s Maginot line.

Don't expect to stop

Go also had a place in Han-era folklore, in the form of the oft-illustrated story of the woodcutter, Wang Zhi. Wandering in a forest, he is said to have happened upon two sages playing a game. Wang settled down to watch, and became so absorbed that when at last one of the players suggested he should go home, he found that the handle of his axe had rotted entirely away. Returning to his village and recognising no one, Wang realised he had been gone for a hundred years. A small exaggeration, perhaps, yet the tale says much about the enduring fascination of a game that begins with an empty board and slowly evolves into ever-increasing complexity.

Although the roots of chess extend to ancient India and Persia, its present rules were fixed only in the early 19th century. Arabic manuscripts do record, move for move, chess-like games from a thousand

years ago, but the oldest fully registered game played by recognisably modern rules took place in Barcelona in 1490. By contrast, the earliest completely recorded game of go, pitting Prince Sun Ce against his general, Lu Fan, and showing tactics almost exactly the same as those used today, is believed to date from 196AD. The 12th-century go manual, “Wang You Qing Le Ji”, or “Collection of the Carefree and Innocent Pastime”, includes dozens of complete, numbered diagrams from actual games that were certainly played during the Tang dynasty (618-907AD), as well as complex puzzles that remain testing for present-day amateurs.

Tang-dynasty fashion ranked proficiency at go as one of the “four accomplishments” necessary for a cultivated gentleman, along with lute-playing, calligraphy and painting. It was during this era that the passion for go, like so much of the high culture of metropolitan China, made its way to such outlying kingdoms as Korea, Tibet and, most infectiously, Japan. Go was all the rage in Japanese courtly circles by the 11th century, as is known from its appearance in Lady Murasaki's great novel of the time, “The Tale of Genji”, in the famous—and again often-illustrated—scene where Prince Genji spies through a screen on two ladies playing the game.

As in China, go in Japan remained for centuries a mere aristocratic pastime, until a sudden flowering under the shoguns of the Edo period (1603-1867). Many of the great warlords of that age being themselves aficionados—in the belief that go provided excellent training for military tactics and strategy—it was not surprising that patronage of the game should have flourished. Four great go schools, all sponsored by the state, were established during the 17th century, as was the ranking system for players that is still used today and the supreme position of Meijin, or go-master to the shogun himself. Meijin Dosaku (who died in 1702), the fourth head of the Honinbo go school, is held by many Japanese to have been the game's greatest player. Although records of only 153 of his matches are preserved, he is said to have achieved the biggest advances in theory since the invention of go.

Proper patronage, professionalisation and the rivalry between schools certainly elevated the standard of play in Japan far above that in China. It was in Japan, too, that skill in the manufacture of go equipment reached its peak, in the cutting of perfect boards from the rare, 700-year-old kaya tree, the use of slate for the black pieces and clamshell for the white, and in the fashioning of bowls made of precious mulberry wood to keep them in. Today, a new, top-quality set of this type may cost $150,000.

Tang-dynasty fashion ranked proficiency at go as one of the “four accomplishments” necessary for a cultivated gentleman

Not even the end of state go sponsorship that came with the 1868 Meiji revolution—Japan's dramatic opening to the West and its headlong embrace of modernism—was to dent this dominance. By the 1880s, Tokyo newspapers had begun sponsoring go tournaments on a scale that made it possible both to sustain high standards and to maintain a class of full-time professional players. When they ventured abroad before the 1930s, to Japan's new colonies of Taiwan and Korea, and then to Manchuria, or into the warlord-torn Chinese hinterlands, such players felt obliged to handicap themselves by granting native opponents large advantages.

A century of surprises

That has changed. The past century has been the most dramatic in go history. The first surge of excitement came in 1926, when a Japanese pro, Iwamoto Kaoru, discovered a 12-year-old prodigy by the name of Wu Qing Yuan in Beijing. Once word of the boy's skill had reached Japan, invitations were soon forthcoming. By the time he was 19, Mr Wu was beating Japan's top players. Having eliminated all rivals, he won the honour in 1933 of battling the tenth reigning Meijin, Honinbo Shusai, 21st in the line of masters of the great Honinbo school.

Corbis

Mr Wu's opening, a sharp, direct lunge for territory, was seen as shocking, even insulting, to his elder. The ailing Meijin eventually carried the match, but only just, and after shamelessly exploiting his rank to postpone play 13 times, over three months. It was even rumoured that his brilliant, tide-turning 160th move had been devised, in breach of strict rules, by one of the Honinbo disciples.

Five years later, Shusai was unseated by a friend of Mr Wu's, in another excruciatingly long match that was to become the subject of an allegorical novel about the decline of old Japan by Yasunari

Kawabata, who won the 1968 Nobel prize for literature. Soon after, Mr Wu beat his friend and, over the next 20 years, until he was injured by a motorcycle while crossing a Tokyo street, the Chinese prodigy proceeded to crush every one of Japan's top professionals in an unbroken sequence of victorious ten-game super-matches, known as *juban-go*.

Start young

Mr Wu's game declined after his accident, and he retired from professional play in 1983. Still, at 90 years of age, he has had the pleasure of seeing his own countrymen re-emerge as serious challengers for global ascendance. During the Cultural Revolution, go was demoted from its place among the “four accomplishments” to become one of the four, discarded, “rotten pasts”. Yet in the 1970s a few Chinese players, among them Nie Weiping, who had spent years on a pig farm in internal exile, managed to chalk up individual successes against Japanese opponents. In the 1980s the Chinese began to score team wins with growing frequency, until in 1996 the Japanese cancelled a series of bilateral contests because the results had grown embarrassing.

Bridgeman

...and never give up

Significantly, the only two women to reach the rank of nine-dan, roughly equivalent to grand master in chess, are Chinese, and both have emerged within the past 15 years. One of them, Rui Naiwei, is among the world's top 15 players. In 2000 the Iron Lady, as Ms Rui is often called, trounced the world's two top-seeded male players, one after the other in a single tournament.

China's resurgence may not be surprising. Half of the world's 30m or so go players are Chinese, and sponsorship has grown in China, along with general prosperity. China now fields some 300 professional players, compared with 450 in Japan.

The new phenomenon in go is the meteoric rise of South Korea, a country long regarded by its neighbours as a backwater. The first Korean to be noticed internationally was Cho Chik-un. Moving to Japan as a child, he went professional in 1967 at the age of 11. By the time he was 27, Mr Cho held all four top Japanese titles at once. Mr Cho still earns more than any other go player in Japan and, say some, ranks fifth in the world in skill.

Yet Mr Cho's record pales in comparison with South Korea's own Cho Hoon-hyun, currently the world number three. Preferring to stay in his native land, this Mr Cho won a record 16 consecutive Paewan titles, one of South Korea's swankiest, before losing, in 1992, to his own pupil, the current world champion, Lee Chang-ho. Mr Lee, whose legion of Korean fans call him the Stone Buddha, has the distinction of concurrently holding five out of the seven main international men's titles. He is thought to earn nearly $1m a year.

Korea is go-mad. With less than half Japan's population, it has almost three times as many active players. Go schools and clubs clog the halls of apartment buildings in Seoul, a city that supports two full-time go channels on cable television. No surprise, then, that Koreans have taken 41 out of the 54 international cups won since worldwide tournaments, rather than just national ones, were first launched in 1988. That compares with ten for Japan and three for China.

The grandest of all, the $400,000 Ing cup, established by a Taiwanese magnate and contested only once every four years, has never left Korea. The best-of-five games finals for the 2004 Ing cup will take place early in January, pitting Korea's latest bombshell, 19-year-old Choi Cheol-han, against China's 28-year-old Chang Hao. It promises to be a mighty clash, since—as the Chinese proverb says—chess is a battle, but go is war.

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Competition

The wisest fool

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From The Economist print edition

Bridgeman

Readers are invited to nominate the wisest fool of the past 50 years

IT IS not quite clear whether it was Henry IV of France or—more likely—his chief minister, the Duc de Sully, who described James I (of England, VI of Scotland) as “the wisest fool in Christendom”. It is not even clear what prompted the coining of the epithet, though James (above) was certainly a mixture of opposites of every kind. In the words of Sir Walter Scott,

> He was deeply learned, without possessing useful knowledge; sagacious in many individual cases, without having real wisdom...He was fond of his dignity, while he was perpetually degrading it by undue familiarity; capable of much public labour, yet often neglecting it for the meanest amusement; a wit, though a pedant; and a scholar, though fond of the conversation of the ignorant and uneducated...He was laborious in trifles, and a trifler where serious labour was required; devout in his sentiments, and yet too often profane in his language...

In short, he was a fool. Yet he was also wise.

That made him a much rarer bird than the foolish brainbox—the egg-head who, as a child, takes every prize for scholastic achievement but cannot be trusted to tie his shoelaces, or cross a road, let alone take charge of anything. Such people are indubitably clever. They are the ones who, later on in life, may work out in their heads every kind of intellectual puzzle and show off every arcane piece of knowledge. They may shine at mental long division and be able to expatiate upon the workings of machines or the writings of scholars. But of judgment—everyday, practical judgment of men and human affairs—they have none.

It is not difficult to think of such people in public life. Bertrand Russell was certainly one, a brilliant

philosopher who could, and did, advocate the pre-emptive bombing of the Soviet Union in the 1940s to prevent it acquiring atomic weapons. Enoch Powell, a British politician, was another. He had been a formidable scholar of ancient Greek, yet advocated immigration policies that were downright foolish, as well as nasty.

In politics, at least, intellect alone is never enough. Machiavelli argued that the ability to recognise cleverness in others may be as important to a ruler as to be clever himself. Oliver Wendell Holmes, the great American jurist, was getting at something similar when he spoke, admiringly, of Franklin Roosevelt as a man with “a second-class intellect, but a first-class temperament”. The fifth Marquess of Salisbury was certainly not being complimentary, even to his duller-witted colleagues, when he described his fellow-Tory, Iain Macleod, as “too clever by half”. He meant too liberal, but even so the barb hit a nerve. And Quinapalus, that all-purpose authority invented by Feste in Shakespeare's “Twelfth Night”, was offering a variation on the theme when he averred, “Better a witty fool than a foolish wit.”

Today we are after that rarer oxymoron: the wisest fool. He or she must be fundamentally an idiot, but a shrewd or cunning one. Candidates need not inhabit Christendom, but they must be alive, or have been in the past 50 years. They may come from the world of politics, or academia or business—or perhaps the church, the stage or journalism. Or somewhere else: on the *Titanic*, one of them was seen heading for the bar when everyone else was taking to the boats.

Evolution suggests that the man or woman we seek, though unusual, is more common than you may suppose: were it otherwise, the breed would have disappeared. Nominate your contender, explaining why he or she deserves the title in no more than 100 words, to reach us by January 17th. The three best entries will be published in our issue of January 29th, libel laws permitting, and will receive a copy of the King James Bible, in memory of the first wisest fool. Entries, please, to Competition, The Economist, 25 St James's Street, London SW1A 1HG, or by e-mail to competition@economist.com.

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Economist.com BUSINESS
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Children's television

Too much of a good thing?

Dec 16th 2004
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Children's television is booming, which is a godsend to some parents and a growing worry for others

"BROADEN their minds", says a new advert for BSkyB, a satellite-TV company in Britain, which hopes that appealing to parents this Christmas will help sell its packages of over 200 channels, 21 of which are devoted to children. There has never been so much television for kids. Part of the reason is that serving the very young is an especially lucrative and fast-growing business for Disney, Viacom and Time Warner, three big media conglomerates. Equally, children's TV has never been so controversial. Parents increasingly fear that, far from broadening their darlings' horizons, watching television may lead to attention-deficit disorder and obesity.

The great thing about children's TV from a money-making point of view is that it generates three kinds of income. Like adult programming, there is advertising revenue, and pay-television operators pay fees. But children's TV offers the extra possibility of riches from merchandising. Thanks to "SpongeBob SquarePants", for instance, a show about a sponge at the bottom of the ocean, Nickelodeon, a division of Viacom, finds itself in the enviable position of earning a fortune from a TV show and now a movie which are themselves in effect advertisements for a hugely profitable range of consumer products.

Last year Nickelodeon's consumer-products division brought in sales of $3 billion, up by one-fifth from 2002—by far the fastest-growing bit of Viacom, which also has a movie studio, a broadcast network and a radio business. This summer, analysts at a presentation by Time Warner, the world's biggest media firm, were surprised to discover that its Cartoon Network had made more money in 2003 than CNN, its cable-news business. Eyeing their success, this month the BBC said that it is thinking of launching new international pay-TV channels for children.

Children in developed countries have more access to money than ever before. Children used to be (supposedly) seen, but not heard. Parents have become less strict and children have become part of their lifestyle image, meaning they are more likely to spend money on them, says Ynon Kreiz, former boss of Fox Kids Europe (now owned by Disney). Advertisers know that children are a way to reach adults, too. "You'd be amazed how much influence a 10-11-year-old boy has on buying the family car," says Jason Maltby of MindShare, WPP's media-buying unit.

Strategically, too, children's TV has advantages over the adult sort. While grown-up TV is increasingly having to vie for attention with video games, the internet and mobile phones, children aged eight and under are still a fairly captive audience for television. And making children's programmes is an excellent way to tap international markets. Animation and simple plots travel far better than adult fare, and localising it with voice-overs is cheap. Hollywood-made adult shows have become less popular in Europe and elsewhere, because viewers want local programmes. No such shift has occurred in the international market for children's programming. Disney, Nickelodeon and Cartoon Network will continue to dominate.

A headache for the business, on the other hand, is "age compression": kids are growing up faster than they used to. When "Sesame Street" started 35 years ago it was watched by five and six-year-olds. Now three and four-year-olds make up most of its audience. Older children increasingly prefer grown-up reality television, MTV (a music channel also owned by Viacom), and video games.

Getting older, faster

The response from programmers, says Michael Wolf, head of McKinsey's global media and entertainment practice, has been to follow children as they grow up faster, with edgier programmes that children "get"

but their parents don't necessarily. Nickelodeon, for instance, regards children, not their parents, as the customer. Its programming is often mildly subversive, says Robert Thompson, director of the Centre for the Study of Popular Television (really) at Syracuse University.

Disney, on the other hand, continues to make children's shows that embrace the whole family, not just for kids as independent agents. “It's a big brand difference between us and Nickelodeon,” says Rich Ross, head of the Disney Channel Worldwide, “you can empower kids without disempowering families.” That approach is a big advantage, he says, as the Disney Channel expands overseas—this month it will launch in India. Children in America and Britain think of themselves as independent, but in Latin America, continental Europe and Asia, says Mr Ross, families expect to be more involved in their lives.

Another response to age compression has been to segment children's TV more precisely. That way, a six-year-old, say, gets programming designed specifically for a six-year-old and does not have to make do with stuff that four-year-olds like too. People in the children's TV business expect the market to fragment still further.

As older children move on sooner from kids' television, programmers are aiming still younger. Babies, apparently, are currently badly underserved by the media industry. An American mother spotted the gap in the market: Julie Clark, a new-ageish high-school art and English teacher from the suburbs of Denver, started making videos set to classical music for her new baby. First, all her friends wanted them too. Then she made a deal with a toy store to sell her “Baby Einstein” products. Finally, Disney spotted her success, bought her company and expanded its turnover from $25m to $165m this year.

Mr Kreiz, the former Fox Kids executive, is considering launching another suite of media products for babies and pre-schoolers next year. He may begin with a series of DVDs and videos, and later, perhaps, start a new TV channel for babies. His aim is to make shows that are more educational than Baby Einstein.

As the quantity of children's TV has grown, so have parental worries about it, especially in America and Britain. Baby Einstein is jokingly referred to as “baby crack”: it entertains babies and stops them crying, but is it safe at such a formative stage? An article this year in *Pediatrics*, a journal, said that watching TV increases the risk of attention problems. Food adverts on TV are also being blamed for obesity. In Britain, says one TV executive, the government is leaning towards banning food ads at certain times of the day.

That would hurt revenues, so programmers are taking the threat seriously. In America, Nickelodeon pulled itself off the air for three hours in October as a way to get its viewers to go outside and play. All three big firms are now making shows that promote physical activity. But the rapid growth of programming for children is likely to continue. However much parents worry about its effects, they depend on the telly to give them a break from managing their kids. And at least SpongeBob SquarePants, Phil Diffy from Disney's “Phil of the Future” and Cartoon Network's Atomic Betty are more innocent companions for their children than the sexy, violent characters that adults are addicted to.

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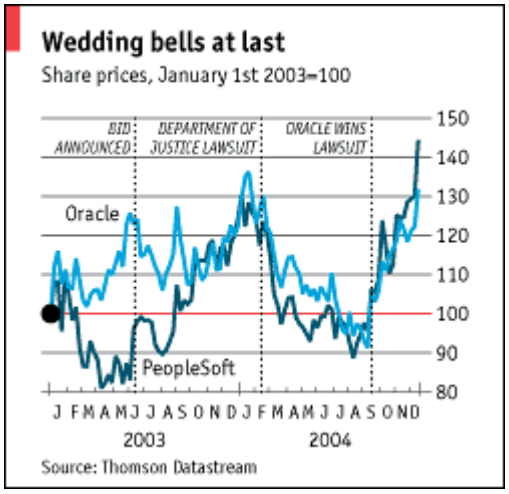
Oracle and PeopleSoft

Finally, marriage

Dec 16th 2004 | SAN FRANCISCO
From The Economist print edition

A long and tortuous takeover battle reaches its end



LAWYERS for Oracle, the world's second-largest software company, and PeopleSoft, a rival that Oracle had been trying for 18 months to buy, expected to spend this week once again facing off in a Delaware courtroom. Instead, and to everybody's great relief, they ended up trading a few wise-cracks with the judge, wishing one another happy holidays, and going home.

To achieve this dénouement everybody involved had to compromise, so that everybody involved could also claim victory. PeopleSoft, whose board had fought ferociously to stay independent, conceded defeat with a phone call late last Friday, offering to withdraw its controversial poison pill—the subject of that lawsuit in Delaware—if Oracle raised its offer one more time, to $26.50 a share, or $10.3 billion in total. Oracle, which only a month before had declared $24 to be its “best and final” offer, obliged. It could do so, said Larry Ellison, Oracle's boss, because PeopleSoft's board, now “friendly” rather than “hostile”, had opened the books to him, which showed that PeopleSoft was potentially more profitable than Oracle had thought. Investors seemed content with that, sending both companies' shares higher, a rare treat on such occasions.

But Mr Ellison had to compromise on more than price. His original intent in June 2003 was to fade out PeopleSoft's products—software applications that automate corporate functions such as human resources and accounting—in order to transfer the customers to Oracle's products. PeopleSoft had responded by guaranteeing its customers a refund worth several times their original software-licence fees if anybody (ie, Oracle) ever ceased to provide support for them. This seems to have worked. Mr Ellison now says that, far from killing PeopleSoft's applications, he will instead “oversupport” them.

To the public at large, the deal falls short in a different way. The battle laid bare some very bizarre aspects of corporate governance in America today. The main issue became PeopleSoft's use of a “poison pill”, a very widespread device that managers love but shareholders often do not. PeopleSoft's pill would have flooded the market with new shares as soon as any predator bought more than 20% of PeopleSoft's equity. This is what kept Oracle at bay in November, even after more than 60% of PeopleSoft's shareholders voted to accept Oracle's $24 offer. The judge in Delaware was supposed to clarify whether such a poison pill is fair, and legal. Many shareholders in other American companies would have liked to have found out.

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Sprint and Nextel

And then there were four

Dec 16th 2004
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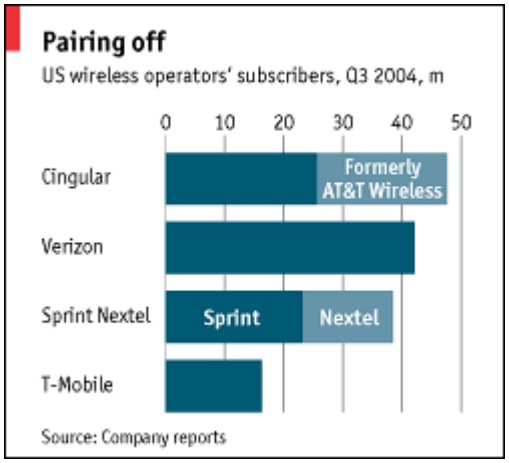
Why America's latest wireless merger makes sense—and its implications



FROM six to five, and now four: the oft-repeated prediction that America's fragmented wireless telecoms industry would consolidate finally came true in 2004. In October, Cingular completed its $41 billion purchase of AT&T Wireless, leapfrogging Verizon Wireless to become the nation's largest wireless operator (see chart). And on December 15th, Sprint and Nextel, the third and fifth-largest operators, announced a "merger of equals"—in reality, the acquisition by Sprint of Nextel for around $36 billion. The combined firm will be called Sprint Nextel.

Both deals were driven in large part by technology, which placed constraints on who could merge with whom. Unlike Europe, where wireless operators all use a system called GSM, America's operators use several different and incompatible standards. Verizon and Sprint use a technology called CDMA, while Cingular, AT&T Wireless and T-Mobile have GSM networks (which explains why Cingular and AT&T Wireless made a logical partnership). Nextel, however, uses a proprietary system called iDEN, made by Motorola, which has both strengths and weaknesses.

Its main strength is its acclaimed "push to talk" feature, which allows Nextel handsets to be used like walkie-talkies, though the calls are in fact routed over the cellular network. As a result, Nextel has long been the choice of construction workers and maintenance technicians; other consumers love the walkie-talkie feature too. It explains Nextel's unrivalled customer loyalty and average revenue per user, both key industry metrics. But as the industry upgrades to high-speed "third generation" (3G) networks, which offer both extra voice capacity and fast internet access, there is no upgrade path for iDEN—so Nextel must switch to another technology.

It has been evaluating two options. The first is another proprietary technology, called Flash-OFDM, made by a firm called Flarion. This is sometimes referred to as a 4G technology, but is already available: Nextel has a small Flarion network running in North Carolina. While it works well as a wireless-broadband technology for PCs and laptops, however, the technology is not yet supported in mobile phones. So Nextel was also evaluating the high-speed version of CDMA, called EV-DO. Verizon Wireless is already deploying it, and Sprint, after much dithering, recently announced that it would do so too. For Nextel, the benefit of EV-DO is that handsets already exist, and it is possible to implement push-to-talk functionality, on a par with Nextel's existing service, on an EV-DO network. Customers can therefore be moved from iDEN to EV-DO without having to give up the feature they value most. Hence the logic of merging with Sprint, which is also committed to EV-DO.

The deal makes sense for other reasons too. Nextel has lots of business customers, an area where Sprint is weak. The combined firm will have greater economies of scale and more bargaining power with handset and equipment suppliers. And the decision to spin off Sprint's regional fixed-line division paves the way for Sprint Nextel to strike deals with America's cable operators. They want to add wireless telephony to their service bundles, better to compete with America's regional fixed-line incumbents, the Baby Bells. Sprint and Nextel already rent network capacity to smaller operators such as Virgin Mobile and Boost, so they know how to support such "virtual operators".

The merger requires regulatory approval, but that is likely to be forthcoming, since the deal is smaller than the Cingular/AT&T Wireless transaction and will clearly enhance competition. Shareholders are also

likely to approve. A rumoured counter-bid for Sprint from Verizon Wireless, which could derail the deal, seems unlikely—not least because regulators would probably object. But many hurdles remain. Integrating the two firms' various networks will be tricky; another worry is that the corporate cultures will clash. Nextel has an entrepreneurial, innovative culture, while Sprint is formal and conservative, says Raul Katz of Adventis, a consultancy.

Yet perhaps the most significant aspect of the deal concerns not 3G, but 4G. Between them, Sprint and Nextel own nearly all the spectrum licences for the unused 2.5GHz frequency band. The combined firm will be able to use this prime wireless real estate to build a 4G network, perhaps using Flarion's technology or WiMax, an emerging wireless-broadband standard. In the short term, the merger helps Sprint Nextel catch up with Verizon and Cingular in the 3G stakes. But beyond that, it also gives the new firm a head start in 4G.

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Islam and business

Beyond petroleum

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A new ranking of Muslim firms

WHEN it comes to making money, Muslim countries—particularly those in the Middle East—are best known for oil and gas. But dig a little deeper and you will find a wealth of different businesses. So says *Dinar Standard,* a new online business publication, which has produced an inaugural ranking of the top 100 domestic firms in the Muslim world—that is, the 57 countries that make up the Organisation of the Islamic Conference (OIC).

The DS100 list, based on 2003 or latest revenues, is predictably dominated by oil and gas extractors in the Arab region. But the rest are an interesting mix of banks, telecom companies, construction firms and other businesses, stretching from Nigeria to Indonesia. Many have large markets outside the Islamic world—among them Koc Holding, a Turkish conglomerate whose subsidiaries include Arcelik, which sells household appliances across Europe. But only Petronas, a Malaysian oil and gas firm, also appears in the *Fortune* 500 list of top international firms. The combined 2003 revenue of firms in the DS100 was $512 billion, a mere 7% of that of the top 100 firms in *Fortune's* league table.

Grand bazaar

Top companies in Islamic countries
2003 fiscal year or latest

Rank	Company	Revenues $bn
1	Saudi Arabian Oil*	83.1
2	National Iranian Oil*	38.4
3	Petronas (Malaysia)*	25.7
4	Sonatrach (Algeria)*	24.1
5	Kuwait Petroleum*	22.9
6	Pertamina (Indonesia)*	22.2
7	Abu Dhabi National Oil*	17.0
8	Iraq National Oil*	14.1
9	Saudi Basic Industries†	12.5
10	Koc Holding (Turkey)†	11.0
11	Kingdom Holding (Saudi Arabia)‡	9.5
12	Ziraat Bank (Turkey)*	8.3
13	Saudi Telecom†	7.4
14	Sabanci (Turkey)‡	7.3
15	Egyptian General Petroleum*	7.2

*Government-owned †Listed ‡Private

Source: *Dinar Standar*

Ranking firms in the OIC is not easy, says Rafi-uddin Shikoh, editor of *Dinar Standard*. So many of its leading enterprises are either government-owned or privately-held. That makes accurate, publicly-disclosed results rare. For example, the revenue figures for Saudi Arabia's and Iran's main oil companies, the top two entries on the DS100, are simply estimates based on OPEC production statistics. Several big firms, among them Saudi Arabian Airlines and the National Iranian Steel Corporation, have been omitted because verifiable results were not available.

Some firms on the list are more overtly Muslim than others; for example, Savola Group, a Saudi Arabian food processor, which ranked 75th on the list, has incorporated a number of basic Islamic principles into its “Balanced Way”, a sort of corporate code of conduct. Religious affiliation may seem an odd basis for classifying firms. But Mr Shikoh argues that it makes sense because firms in the OIC face a number of common management issues, among them problems with transparency and corporate governance, low levels of innovation and an image problem in the West.

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Video games

Hand-to-hand combat

Dec 16th 2004
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Sony takes on Nintendo again, this time with a new portable games console

EPA

A hand-held for giants?

TEN years ago this month, Sony shook up the cosy world of video gaming, then dominated by Nintendo. Rather than appeal to the young teenagers who were Nintendo's main customers, Sony aimed its new PlayStation console at an older audience: late teens and twentysomethings. The games were darker, more sophisticated, and often more violent. Sony correctly identified a "PlayStation generation" that had grown up with gaming and wanted to keep playing beyond their teens. This hugely boosted the market, since older gamers (today, the average age of a console owner is around 28) have more disposable income. Now, having shown that gaming on fixed consoles (which plug into televisions) is not just for kids, Sony hopes to do the same for portable gaming, with the launch in Japan on December 12th of the PlayStation Portable, or PSP, a hand-held gaming device.

Once again, it is attacking a market dominated by Nintendo, which has sold over 150m of its Game Boy hand-helds since 1989 and still has a market share of over 90% in the hand-held market, despite having lost control of the fixed-console market to Sony. And once again there is a clear opportunity to expand the market, since most games available for the Game Boy are developed by Nintendo itself and have little appeal to anyone over 16.

That is why Sony's PSP is aimed at older gamers, aged 18-34. Its range of games is more varied and sophisticated than the Game Boy's, thanks to Sony's established relationships with game developers. It can double as a music and video player, and Sony has hinted at future phone and camera attachments too. This versatility should make the PSP more appealing to older users, says Nick Gibson of Games Investor, a consultancy. Moreover, he notes, the price (¥19,800, or around $190) is low enough to be within the reach of younger gamers—the result, claims Sony, of making many of the PSP's parts itself. By pitching the PSP at a demographic between the Game Boy and the PlayStation, Sony is hoping both to steal market share from Nintendo and attract older users.

Nintendo's response has been a pre-emptive strike: it launched its own new hand-held console, the Nintendo DS, in America on November 21st and in Japan on December 2nd. The DS (which takes its name from its innovative "dual screen" design) is aimed at gamers aged 17-25. Compared with the Game Boy, which will continue to cater to younger users, the DS has a more varied range of games: Nintendo has worked hard to get third-party software publishers to support the device. Its marketing slogan, "Touching is good", a reference to the unit's touch-screen, is uncharacteristically risqué for Nintendo. The DS has been a smash hit: 500,000 units were sold in the first week in America alone. Nintendo expects to sell a total of 2.8m units in America and Japan by the end of the year, and will launch the DS in Europe in March. Apple's iconic iPod music player, Nintendo points out, took 19 months to sell 1m units.

This week's launch of the PSP in Japan (it will come to Europe and America next year) puts the two new hand-helds in direct competition for the first time. But the PSP has a lot of catching up to do, since Sony had only 200,000 units available at the launch, all of which sold almost immediately. Sony will ramp up production next year, and expects to have sold 3m units by the end of March. In the longer term, however, "both can succeed," says Brian O'Rourke, an analyst at In-Stat/MDR, a market-research firm. To some extent they are aimed at different audiences: the DS is more likely to appeal to Nintendo's existing customers, and the PSP to Sony's.

Yet despite the early lead established by the DS, Sony seems certain to loosen Nintendo's longstanding grip on the hand-held market, at least to some extent. But by how much? One crucial factor is the extent to which third-party games developers support the new devices. Historically, notes Mr Gibson, they have shunned hand-helds, partly because they were reluctant to compete with Nintendo in developing Game Boy games, and also because margins on hand-held games are lower than on fixed-console games.

By introducing competition and exploiting its close existing relationships with developers, Sony is hoping to make the hand-held market more closely resemble the fixed-console market, which it dominates. If that were not enough, it also hopes to establish the PSP as the “Walkman of the 21st century”, the first of a new family of products that will meld gaming with music and video playback on the move. The Walkman and the PlayStation, Sony's most successful products, are certainly illustrious parents. But that is no guarantee of success. And having lost out to Sony in the fixed-console market, Nintendo is putting up quite a fight to defend its remaining stronghold.

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Non-executive directors

A chink in the boardroom door

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The risks of being a non-executive director are exaggerated

SHAREHOLDERS have traditionally had little say in selecting the directors who sit on the boards of the firms they own. In general, incumbent directors have themselves chosen any newcomers they will share their smoked salmon with. In America this may now be changing. The Securities and Exchange Commission (SEC) wants to introduce a rule that will let shareholders in public companies put forward their own candidates for the board. Its efforts had been blocked by opposition from business groups. Now it may have found a way around the blockage.

On December 10th the SEC allowed (subject to appeal) a (non-binding) resolution to be put to next spring's annual general meeting of Walt Disney to let a significant group of shareholders nominate their own candidates for the board. Last year's AGM was notable for an attempt by shareholders to oust Disney's chairman and chief executive, Michael Eisner, long accused of running the board as a private fief. Alan Hevesi, New York State's comptroller and trustee of the state's huge pension fund, said this week that the SEC's ruling is “a message to shareholders that they will be able to seek direct representation on corporate boards where appropriate.”

Now that the gate may be about to open, how easy will it be for shareholders to find suitable directorial candidates? The responsibilities of directors have grown in recent years as the Sarbanes-Oxley act and new regulations have sought to prevent another Enron-style corporate collapse.

There is some evidence that firms are having to trawl more widely to fill their boardrooms. According to Korn/Ferry, a headhunting firm, almost twice as many directors of *Fortune* 1,000 firms refused a board position in 2004 as did in 2002, before Sarbanes-Oxley took full effect.

For now, though, despite plenty of grumbling, there is no sign that company boards are shrinking because of a shortage of supply of directors. According to Korn/Ferry, the average size of a large American firm's board has remained unchanged (at 11) for a decade. And the number of times that they meet (eight a year, on average) has also remained unchanged. Outsiders are being attracted by increases in pay. A survey of over 170 big American firms by Hewitt, a human-resources consultancy, found that the median retainer for board members increased from $35,000 in 2003 to $40,000 this year, while the median per-meeting fee rose from $1,250 to $1,500.

Many directors worry that the higher fees do not compensate them for the extra risk in today's litigious climate. But the chances of a non-executive director having to fork out for corporate wrongdoing are tiny. In an article in the latest *McKinsey Quarterly*, three law professors, Bernard Black, Brian Cheffins and Michael Klausner, claim that “outside directors almost never end up paying money out of their own pockets.” The authors could find only one case in America since 1968 in which that had happened, and in six other countries (Australia, Britain, Canada, France, Germany and Japan) “litigation against outside directors is rare and out-of-pocket liability very rare.” In Britain one of the rare cases is expected to come to court in April 2005 when nine former non-executive directors of Equitable Life are to be sued for their alleged role in bringing the insurer to the brink of collapse.

Moreover, say the three law professors, “this state of affairs isn't likely to change.” Sarbanes-Oxley “imposes additional duties” but “it doesn't create new ways for shareholders to sue.”

In any case, most directors nowadays are protected by D&O (directors and officers) insurance paid by their firms. Although premiums for such insurance increased steeply after Enron's collapse, they fell by 10% this year, according to a recent survey by Tillinghast, a financial consultancy. The survey found that 99% of large American companies now take out such insurance, compared with only 85% a decade ago.

Being a non-executive director of a large company is (and always has been) a low-risk, rewarding job. It is almost as if company directors have been complaining so loudly in order to disguise the fact—not, surely, in order to prevent others sharing their smoked salmon?

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Mining in the Philippines

Into the ring of fire

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From The Economist print edition

Time for foreign investors to enter?

SHOULD foreign firms be allowed to run mines in the Philippines? The country's Supreme Court has answered that question twice this year. In January, it said no. Two weeks ago, it said yes. The government, which is hoping for a surge in foreign investment, is pleased. Campaigning non-government organisations (NGOs), which hoped to strike a blow against exploitative foreign capitalists, are irate. The Supreme Court, which is usually slow, meddling and inconsistent, looks as silly as ever. But one of the country's most promising industries may finally be about to take off.

In theory, the Philippines should already have a booming mining industry. The country sits on the “Ring of Fire”, a geological faultline encircling the Pacific that is associated with rich deposits of copper, gold and other minerals. American colonialists long ago ran big, profitable mines in the country. As recently as 1980, mining accounted for over 20% of exports.

Since then, however, political turmoil, nationalistic policies and legal uncertainty have sapped foreign interest in mining. A lack of foreign capital, in turn, has blighted the mining industry in general. Minerals now make up just 1.7% of exports. Mining's share of national output, employment and tax revenues has plummeted.

The constitution adopted in 1987 tried to address this problem. Although it reserved almost all forms of natural-resource extraction for Philippine firms, it did allow foreigners to provide “technical or financial assistance for large-scale exploration, development, and utilisation of minerals”. Congress duly passed the enabling legislation, only to see NGOs challenge the resulting mining act as unconstitutional.

In January, after seven years of deliberation, the Supreme Court agreed. It argued that the framers of the constitution never intended the government to pass managerial control over mines to foreigners, ruling out the sort of production-sharing agreements and service contracts that the government had been signing. The court seemed not to realise that its decision would close not only the Philippines' few remaining big mines, but also its oil industry and even its main cement firms. Mining lobbyists and government lawyers remonstrated with the justices, who—quickly, by their standards—backtracked. Foreign-owned firms can now mine again.

There should be plenty to dig up. Tony Robbins of Indophil, an Australian firm, expects further exploration to yield several big finds. Standard techniques, such as a nationwide magnetic survey, have never been used in the Philippines, he notes. Exploitation of the Tampakan mine, a huge deposit of copper and gold, in which Indophil has a stake, can now go ahead.

But serious obstacles remain. Philip Romualdez, head of a local mining firm and chairman of the mining industry association, complains about a recent law that gives indigenous people veto rights over new mines on ancestral lands—although no one is sure who counts as an indigenous person in the Philippines, or where their lands lie. Local officials can also block mining in their backyard, and often do so in the hope of extracting money from mining firms. On the other hand, say NGOs, the government seldom enforces environmental regulations, leaving mining firms free to despoil the landscape.

Still, the government hopes that a revival of mining will reverse years of decline in foreign investment and help to increase its tax take. In January, it unveiled a new policy to promote mining, including simplifying and speeding up the issuance of mining permits. If only it could do the same for Supreme Court rulings.

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Face value

Oligarch agonistes

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From The Economist print edition

How should Victor Pinchuk, a powerful Ukrainian oligarch, react to the political upheaval in his country?

EPA

EVEN during a revolution, some things seem not to change. While orange-clad protesters were besieging the Rada, Ukraine's parliament, a coterie of wealthy power-brokers—also known as oligarchs—were helping to cook up a compromise. None probably had more influence, or more at stake, than Victor Pinchuk, said to be Ukraine's second-richest man.

He is also son-in-law to Leonid Kuchma, the outgoing president. Mr Pinchuk is adamant that his marriage does not explain his wealth (his Interpipe group, an industrial, media and banking conglomerate, now employs around 34,000 people in Ukraine and elsewhere in the former Soviet Union). He was already rich, he says, before he met his wife; being a presidential in-law has been as problematic as beneficial. But, in a country that, according to Transparency International, ranks alongside Niger and Sudan for corruption, not everyone is convinced. Sceptics point to the privatisation earlier this year of the Kryvorizhstal steelworks. It was sold to a consortium led by Mr Pinchuk and Rinat Akhmetov, the only Ukrainian thought to be richer than him, for roughly half of what some foreign bidders offered.

Mr Pinchuk denies that the deal was rigged, but argues that, for the sake of the workers, it was right to keep such a “strategic” facility in Ukrainian hands—with incidental benefits for him. This attitude, he says, is not incompatible with attracting foreign investment, currently low in Ukraine. If this is protectionism, he says, then so is America's attitude to Iraqi reconstruction contracts. Although Mr Kuchma sent peacekeepers to Iraq, Mr Pinchuk complains that Ukraine has been denied post-war deals, such as to supply steel pipes, one of his core products. “From my point of view”, he says, “[Iraq] is not market economy.”

He has another source of influence. Whereas Russian oligarchs who meddle in politics tend to end up regretting it, many of their Ukrainian counterparts, including Mr Pinchuk, are deputies in the Rada. The three big oligarchic “clans”—the one associated with Dnipropetrovsk, Mr Pinchuk's home town; the Donetsk group around Mr Akhmetov; and the so-called “Kiev clan”—are all represented. Their influence has helped give the Rada more power than Russia's Duma. But it also creates problems. As Mr Pinchuk says, “this is a good atmosphere for corruption.” If a prime minister threatens a businessman's interests, the businessman may say, “my faction will vote against your law.” It is hard “to split your head”, and decide that “this part will think about business, this part the interests of the country.”“If I am a businessman, first I will think about my shirt, because my shirt is closer to my body.” It is time, Mr Pinchuk says, to separate business from politics. He has decided not to stand for re-election when the current parliamentary term expires.

Unless, that is, “we have a regime that will fight against business, against my property.” Then, the Rada will be the only place to protect himself. Victor Yushchenko, hero of the orange brigades, poisoning victim and likely winner of the rescheduled run-off on December 26th, made corruption his main campaign theme. If he wins, business may have to become more transparent. Outside investors will be more welcome, even from Russia—making Vladimir Putin's support for Victor Yanukovich, Mr Yushchenko's Donetsk- and Kuchma-backed opponent, all the more mystifying. Mr Yushchenko says he will re-examine some recent privatisations—including Kryvorizhstal. A post-election shake-up could hurt Mr Pinchuk.

(Though if Mr Yanukovich wins, there may be a redistribution of assets between clans.)

These risks may explain why Mr Pinchuk has shown signs of spreading his eggs between baskets—in particular, through the election coverage of his TV stations. “I protected my stations from *temniki*,” he says, slang for covert instructions on what to cover and how, which, officially, have never existed. Pressured to promote Mr Yanukovich and denigrate Mr Yushchenko, “I said, no, we will be free.” Coverage at most stations has become fairer since journalists staged mini-revolutions of their own, some on air. Mr Pinchuk says that other proprietors blame him for the insubordination: “We want to be free, like the TV channels of Pinchuk,” the journalists reportedly declared. Television is just business, he says, but others detect signs of hedging.

Win friends and alienate the people

He does not fear a Yukos-style witch-hunt: “I don't want to privatise part of the parliament, like some people in Russia.” But he may be vulnerable in another way. Like other oligarchs, Mr Pinchuk has cultivated influential friends abroad. Such contacts can help to generate investment. They may also bring less tangible benefits. Like some Russians, Mr Pinchuk argues that if he is disliked at home, it is only because “in all the world, rich people are very unpopular.” Hobnobbing with the Clintons, Bushes and other droppable big names may be a consolation. His networking also helps with his charitable activities (and vice versa). Being as rich as he is in a poor country, he says, is “not absolutely moral”. He has spent much of his money on good works: an AIDS foundation run by his wife; an orchestra in Dnipropetrovsk; a theatre in Moscow; a new cultural centre in Kiev. He has enlisted Steven Spielberg to help make a documentary about the Ukrainian Holocaust. He says his priorities are young people, older people whom history has passed by, and improving Ukraine's image. His home outside Kiev, and his office near the presidential administration, are adorned with Russian Impressionist paintings. He considers himself a global player: “I am a citizen of the world, and also a citizen of Ukraine.”

So it must have hurt when, during the recent furore about election-rigging, for all his hobnobbing Mr Pinchuk turned up on a list of people rumoured to be facing American visa bans. That particular threat may have receded. But perhaps, in Ukraine as in Russia, oligarchy is not what it used to be.

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European stock exchanges

Seifert's second proposal

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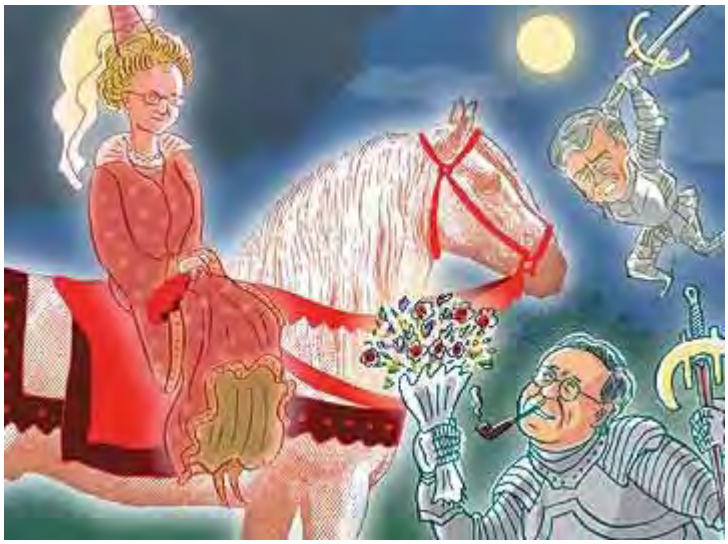


Deutsche Börse's fresh approach to the London Stock Exchange

CAN he do it this time? In 2000 Werner Seifert, chief executive of Deutsche Börse, first tried a merger with the London Stock Exchange (LSE). That effort ended in a chauvinistic wrangle with the LSE's owners. Since then a pile of cash has been burning a hole in Mr Seifert's pocket as he looks for sensible things to buy. In early 2002 he took full ownership of Clearstream, a securities depository, for €1.6 billion (then $1.4 billion). In August of this year he approached SWX, a Swiss stock and derivatives exchange group, but did so clumsily and was rebuffed.

Since then Mr Seifert appears to have gone to charm school in order to win over Clara Furse, chief executive of the LSE. In the past few months he has often been seen in the City of London, apparently preparing the ground for a new approach. On December 13th the LSE confirmed that over the weekend Mr Seifert had proposed buying it, although he has not yet made a formal bid. Ms Furse said that the price, valuing her exchange at just under €2 billion, was too low and that the terms were too vague. Still, the two sides are in talks.

If the deal hatched in 2000 between Deutsche Börse and LSE had gone ahead, it would probably have been a disaster: for instance, all blue chips were to be traded in London and all high-tech stocks—whose prices subsequently collapsed—in Germany. However, since then much has changed in the highly technical, competitive businesses of securities exchanges, clearing and settlement. Both Deutsche Börse and Euronext, a rival European exchange group, are vertically integrated, with clearing and settlement "silos" attached to trading facilities. Margins on clearing and settlement are now so thin that there is little scope for profitable growth. Analysts are returning to the view that growth will now come at the sharp end: in the trading of shares, and in the provision of liquidity and a means of discovering the best prices quickly. This is what draws new customers to exchanges, driving up volumes and creating bigger trading networks.

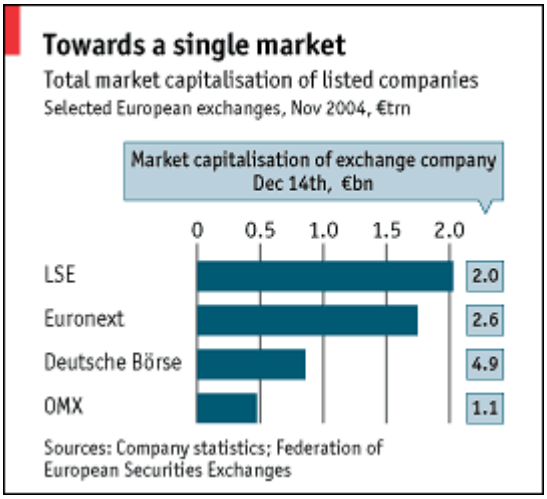
On this view, the LSE, with its wide international connections, its web of brokers and end-users, and its loose alliance with clearing and settlement partners, is quite a prize. Following Mr Seifert's offer at the weekend, many observers expect Jean-François Théodore, chief executive of Euronext, to make a counter-offer. Sweden's OMX, whose rival bid for the LSE in 2000 helped ruin Mr Seifert's previous merger plan, has said nothing, but is thought unlikely to act this time.

Even before the German offer, analysts had predicted that Euronext would bid for the LSE sooner or later, almost out of desperation. Euronext's third-quarter results were poor. Its four stockmarkets, Paris, Amsterdam, Brussels and Lisbon, could do with extra liquidity. Mr Théodore therefore needs the LSE more than Mr Seifert does; but Mr Seifert has deeper pockets.

Whether the LSE is bought is not just a matter for shareholders; regulators will be watching too. One old lot of watchdogs' worries, about Deutsche Börse's and Euronext's vertically integrated structures, has already been more or less overcome. Regulators have been able to force clearers to grant access to outsiders on equal terms—as, for example, when Euroclear, an international securities depository, complained about exclusion by Clearstream. In time, every combination of trading platform, clearing house and securities depository will probably be open to all in Europe at rock-bottom prices.

Still, there are matters of concern. One is pretty basic: how would a merged Deutsche Börse and LSE be regulated? The German group is largely supervised by the economics ministry in the state of Hesse, not an obvious choice as lead regulator. However, that may not matter if London's Financial Services Authority remains the LSE's main supervisor.

Another worry is that the exchanges' owners, rather than its share-trading customers, will reap most of the efficiency gains to be had from the merger. An Anglo-German merger should benefit the LSE's members (banks and brokers) through cost reductions when London and Frankfurt develop a common trading system, probably in around three years' time.



Whether some of those savings, estimated at 15-20%, will then be passed to investors using the exchange to buy and sell shares is a matter of competition, regulation and even politics: governments trying to encourage private pension investment would surely welcome lower trading charges. Yet the marriage of two of Europe's three biggest exchanges brings the risk that price competition will be reduced.

Experience suggests that prices are forced down only when newcomers invade an established exchange's turf. So it was when Tradepoint, an upstart electronic exchange now called virt-x, attacked the London blue-chip market in 2000; when the LSE opened trading in Dutch blue-chips this May; and when Eurex, a derivatives company owned by Deutsche Börse and SWX, took on Chicago's futures exchanges in February (see article). Regulators will want to be sure that outsiders can keep the incumbents on their toes.

If Deutsche Börse does take over the LSE, European exchanges will appear to be arranging themselves around two hubs. Euronext owns Liffe, the London derivatives exchange, and has links with the Warsaw bourse. Deutsche Börse already has ties to Dublin, Helsinki, Vienna, Budapest and (via Eurex) SWX. LSE has a small derivatives exchange in London, EDX, a joint-venture with OMX. Through a joint-venture with the *Financial Times*, it co-owns the FTSE share-index trademark. At present Euronext has a licence to trade FTSE index futures. Eventually these may find their way to EDX or Eurex.

Over the past five years, exchanges have seen great changes wrought by electronic and information services. In the next five, they are likely to see as much again. Exchanges are looking fearfully at the screen technologies now being offered by inter-dealer brokers and information providers. With some systems, customers can hit the best price of those appearing on their screen almost regardless of the source. Such “price aggregation” may come to make a nonsense of geography and of which exchange owns what.

That could make further consolidation pointless; or it could produce more deals as exchanges try to preserve their power. That might mean transatlantic mergers too. Among the bolder forecasts doing the rounds is that a Chicago derivatives exchange might join forces with one of the European hubs. For now, though, Mr Seifert's mind is on the LSE.

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Futures exchanges

Meanwhile, in Chicago

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Deutsche Börse's American gamble

HOW long can the American arm of Eurex—Europe's biggest derivatives exchange, jointly owned by Deutsche Börse and Switzerland's SWX—go on playing the tables in Chicago? In February, Eurex US started trading American Treasury futures in direct competition with the Chicago Board of Trade (CBOT), one of the city's two big exchanges. The results have not been impressive. Open interest (open positions held at the exchange, the best gauge of consistent use) is around 70,000 contracts, compared with 3m at the CBOT.

It looks as if the CBOT and the city's other big exchange, the Chicago Mercantile Exchange, have successfully fought off the transatlantic threat. They were quick to speed up their adoption of electronic trading to combat Eurex's fully electronic platform. The CBOT slashed its trading fees by 75% on the day that Eurex US opened. Both sides have since cut prices further.

The battle has not been friendly. The incumbents have lobbied hard against the interloper, and have attracted a lawsuit from Eurex US. But Eurex also lost friends among local brokers by failing to supply the volume and liquidity it had promised. “Once they hit some bumps in the road, communication with us stopped,” says Russ Wasendorf, chief executive of Peregrine Financial, a Chicago broking firm. “We felt as if we'd been betrayed.”

However, according to Rudolf Ferscha, Eurex's boss and a member of Deutsche Börse's management board, things are not as bad as they look. Mr Ferscha says that a “networking” effect is luring American users to trade European derivatives in Germany. At times they account for 30% of business in Frankfurt.

Like its German parent, Eurex has aims in clearing and settlement as well as trading. It owns 14% of Clearing Corp, an American firm that once cleared contracts for the CBOT and now does so for Eurex US. It has also set up a link to Eurex Clearing, its clearing operation in Frankfurt. Since last month its American customers have been able to have their trades on both sides of the ocean cleared in America by Clearing Corp. That has several advantages: a single margin payment, less use of regulatory capital and an American tax break known as the 60/40 rule.

However, users in Europe may not clear Eurex US trades in Frankfurt without the say-so of the Commodity Futures Trading Commission (CFTC), an American regulator. The CFTC would normally require that the regulator of Eurex's German clearer be “comparable” with the CFTC itself. Chicagoans point out, with a mixture of glee and scorn, that Eurex Clearing is ultimately regulated by the economics ministry in the German state of Hesse, a mere local watchdog.

Mr Ferscha still hopes to leap these American hurdles, to list Eurex's successful European contracts in America and thus to stretch trading to 21 hours out of 24. That would satisfy a growing demand for trading European equity derivatives as a proxy for American ones, and it would allow cheaper arbitrage between dollar and euro bond futures.

Several big financial institutions have put money into both Eurex US (of which they own a total of 20%) and Clearing Corp. These firms also trade with the big Chicago exchanges and have benefited from the price war. Although Clearing Corp will lose around $20m this year and Eurex US probably a little more, their shareholding institutions may well have made up for their share of the losses in lower trading costs. These investors may therefore be able to hang on. The question is, can Eurex?

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Trade politics

A new knot in textile trade

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China's tax on its textile exports is a backward step

THIS week's twist in textiles is depressing proof, if any were needed, of how hard it is to straighten out world trade. On December 31st, the Multifibre Agreement, a tortuous quota system that has ruled (and distorted) trade in textiles for 30 years, is due to expire. This means losses for protected industries in importing countries and for some exporting countries, many of them poor. But consumers should gain, as should the most efficient exporters, notably China. One widely cited study estimates that China's share of world textile trade will rise from 17% in 2003 to over 50% by 2007.

But on December 13th, China said it would tax its own exports of textile products from January 1st. In other words, the Chinese plan artificially to raise their producers' costs, blunting their competitive edge. What is going on?

The usual: politics. China has volunteered to hobble its own exports in order to head off protection in rich countries. Textile producers have had since 1994 to prepare for the end of quotas. Nevertheless, in rich countries the declining but still vocal textile lobbies have been whingeing; and poor countries that have used the quotas to build textile industries have also been fretting about the Chinese threat.

In America, where the textile industry has honed its lobbying skills over many decades, the Bush administration has already promised to consider imposing “safeguard quotas” on several categories of clothing imports. January may bring more petitions, for both safeguards and anti-dumping actions, in which America would impose punitive tariffs against Chinese producers. Seeing this coming, the Chinese authorities have decided to move first—and, through taxes, to keep the profit created by a restraint on trade.

You might suppose that at least China's fellow poor-country competitors will benefit from this. Maybe, but even under free trade China is not sure to scoop the pool. Textile importers may not want to rely on only one supplier. Proximity to rich markets—an important factor in fast-changing fashion gear—will remain an advantage for some producers, such as El Salvador or Turkey. And some countries might in any case do better to diversify away from quota-supported textiles.

But the threat of rich-country protection has nothing to do with helping the poor. If rich countries were really concerned about helping poor countries cope with China's textile threat, they could do more to open up their own markets for all sorts of things, for instance by simplifying the labyrinthine rules of origin that often limit the benefits to poor countries of preferential trade agreements. Freer markets all round, not more protection, is a better way forward for trade.

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The art market

Top drawer

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A stunning price—and this time, for something old

IT IS said that people buy contemporary art when they are confident about the future and old art when they are not. Maybe a few worries are setting in. On December 9th, a piece of furniture known as the Badminton Cabinet—made, in *pietra dura*, ebony and ormolu, in 1720-32 by the Medici workshops for the third Duke of Beaufort—was sold at Christie's in London for £19m ($36.7m), a record for a non-pictorial work. The auctioneers had hoped to match the £8.6m paid by the previous owner in 1990.

The cabinet is the latest of a number of older works going for record prices. However, in recent years, contemporary art has made all the running. Last month saw record auction sales of contemporary art in New York. Research by the Art Sales Index shows that over the past four years the shares of contemporary and modern art in auction-market turnover have risen, while those of Old Masters and 19th-century works have declined. That said, Daniele Liberanome of Gabrius, a company that tracks art prices, considers Old Masters undervalued based on their performance since 1990.

Conventional wisdom has it that older art holds its value, while contemporary stuff is for risk-lovers. William Goetzmann, a professor at Yale, estimates that during the last art-market slump, which set in after 1990, Impressionist and contemporary works fell by most (51% and 40% respectively), while Old Masters suffered least (down by 16%). Yet despite the bumps, contemporary works have been rewarding for those who are prepared to hang on: according to Jianping Mei and Michael Moses, professors at New York University, since 1970 the returns on contemporary art have far outstripped those on Old Masters and 19th-century paintings.

Since the late 1980s, more sophisticated analysis of the art market and a growing interest in alternative investments have spurred the creation of several new investment funds focused on art. At a recent conference organised by one of these, the Fine Art Fund, Rachel Campbell of Maastricht University pointed out the low correlation between returns on art and on those other investments. Given that it usually pays to diversify, that is a good argument for investing in art, whatever your taste. The Fine Art Fund, which began buying this April (and has 36% of its money in cash), advises that investors spread their art allocation fairly evenly between Impressionists, Old Masters, modern art and contemporary works.

Contemporary art, in particular, has served rich investors well in the past few years. Prices stayed buoyant when stockmarkets slumped. Nevertheless, one recent academic study has found a correlation with another asset class: during the last world art boom, in the late 1980s, prices were closely tied to property values, specifically Japanese land prices. After 1990, art and property slumped together. Now property prices in several countries are once again at giddy heights.

Investing in art will always be a risky business. Works of art are by definition heterogeneous; holding periods vary; the market is illiquid; art yields no income, producing only capital gain or loss; transaction costs are high. As for contemporary art in particular, it is a sobering thought that, according to Mr Moses, each year an average of only two artists emerge whose work increases in value over time. All this speaks against a big commitment to speculating in art; better, maybe, simply to buy what you like, if you can: treat your money, in other words, not as invested but as consumed.

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Turkey

Plumper

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How does the country's economy compare with those of the EU?

SOME of the concerns surrounding Turkey's application to join the European Union, to be voted on by the EU's Council of Ministers on December 17th, are economic—in particular, the country's relative poverty. Its GDP per head is less than a third of the average for the 15 pre-2004 members of the EU. But it is not far off that of one of the ten new members which joined on May 1st 2004 (Latvia), and it is much the same as those of two countries, Bulgaria and Romania, which this week concluded accession talks with the EU that could make them full members on January 1st 2007.

Furthermore, the country's recent economic progress has been, according to Donald Johnston, the secretary-general of the OECD, “stunning”. GDP in the second quarter of the year was 13.4% higher than a year earlier, a rate of growth that no EU country comes close to matching. Turkey's inflation rate has just fallen into single figures for the first time since 1972, and this week the country reached agreement with the IMF on a new three-year, $10 billion economic programme that will, according to the IMF's managing director, Rodrigo Rato, “help Turkey... reduce inflation toward European levels, and enhance the economy's resilience”.

Resilience has not historically been the country's economic strong point. As recently as 2001, GDP fell by over 7%. It fell by more than 5% in 1994, and by just under 5% in 1999. Indeed, throughout the 1990s growth oscillated like an electrocardiogram recording a violent heart attack. This irregularity has been one of the main reasons (along with red tape and corruption) why the country has failed dismally to attract much-needed foreign direct investment. Its stock of such investment (as a percentage of GDP) is lower now than it was in the 1980s, and annual inflows have scarcely ever reached $1 billion (whereas Ireland attracted over $25 billion in 2003, as did Brazil in every year from 1998 to 2000).

One deterrent to foreign investors is due to disappear on January 1st 2005. On that day, Turkey will take away the right of virtually every one of its citizens to call themselves a millionaire. Six noughts will be removed from the face value of the lira; one unit of the local currency will henceforth be worth what 1m are now—ie, about €0.53 ($0.70). Goods will have to be priced in both the new and old lira for the whole of the year, but foreign bankers and investors can begin to look forward to a time in Turkey when they will no longer have to juggle mentally with indeterminate strings of zeros.

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Internal audits

404 tonnes of paper

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The Sarbanes-Oxley act's demands for financial controls are proving onerous to both American and foreign companies

ON DECEMBER 15th Air China joined the growing ranks of Chinese companies listed on western stock exchanges. Unlike several other big Chinese firms, the national airline chose to land at the London Stock Exchange rather than in New York. One reason is thought to be that listing in America has become increasingly burdensome since Congress passed the Sarbanes-Oxley act in 2002 in the wake of the accounting scandals at Enron, WorldCom and elsewhere. Several European firms have said that they would consider delisting from American exchanges, given the cost of compliance with the law.

The most onerous part of the act is Section 404, which came into effect on November 15th. It requires the chief executives and chief financial officers of public companies (and their external auditors) to appraise the internal controls over financial transactions and to report any weaknesses within 75 days of the end of a company's fiscal year. For thousands of firms and their auditors, the next three months will be a sprint.

The number of controls that big companies must test and document can run into the tens of thousands, down to limiting who can sign company cheques. Not surprisingly, this is expensive. Sarbanes-Oxley (mostly Section 404) cost General Electric about $30m in extra payments to its auditor in 2003. J.P. Morgan Chase says that it has 130 employees working full-time on compliance with the rule. And according to a study by Ernst & Young, an audit firm, half of America's large public companies estimated that they would devote more than 100,000 man-hours to compliance with Section 404 in its first year. The load should ease thereafter.

Smaller companies, with their more limited resources, are having an even tougher time of it. FlowServe, a Texan industrial-equipment maker, said in October that, owing to Section 404, it would spend an extra $15m in the second half of this year—almost one-third of 2003's profits. No wonder some firms are questioning whether it is worth being listed at all. In late November, the SEC gave smaller public companies up to 45 extra days to document their internal controls.

It looks inevitable that some companies will miss their deadline. Sam DiPiazza, chief executive of PriceWaterhouse Coopers (PwC), an audit firm, reckons that 10-20% of firms will either fail to meet the deadline or disclose material weakness with their internal controls. If investors have not been forewarned, says Michael Moran of Goldman Sachs, an investment bank, the market reaction could be fierce. Bearingpoint, a consulting firm, has seen its share price decline by more than 10% since mid-November after disclosing accounting errors, shortcomings in internal controls and management departures.

Auditors, too, are being stretched, although they are at least being paid for their trouble. Greg Garrison of PwC says that his firm has spent more than $40m in the past six months on Section 404 training for around 9,000 staff in America. Some audit firms are so overloaded that they have been dumping less profitable clients, usually smaller companies.

Critics say that Section 404 is not worth the expense: “There is no cost-benefit analysis that would make this work,” complains the chief executive of a Fortune 500 company. Many foreign firms agree. Those registered with the Securities and Exchange Commission (SEC)—which, in essence, have permission to be listed on an American exchange—must comply with Section 404, starting with fiscal years ending on or after July 15th 2005. Several might consider delisting—but they cannot deregister from the SEC if they have more than 300 American investors.

All this may be harming American exchanges' ability to compete with European rivals for new listings. The London Stock Exchange is marketing itself as a lower-cost alternative to the New York Stock Exchange (NYSE). The NYSE admits that it has seen a “significant slowdown” in foreign listings since Sarbanes-Oxley, from 50-60 a year (about one-third of them European) before the act was passed to 16 in 2003 (of which only two were European).

Of course, against the expense and lost business must be weighed the benefits of better auditing and more trustworthy accounts. Though more difficult to quantify, these are no less real. Moreover, even the NYSE still sees strong growth from emerging markets: Air China aside, the biggest Chinese new listings—such as those of China Life, last year's largest anywhere, and China Netcom and Semiconductor Manufacturing International Corporation this year—have taken place in New York. “There is something to be said for listing on the exchange with the highest standards,” says Christiaan Brakman of the NYSE. The NYSE thinks that European corporate-governance regulation is already tightening too, thus reducing the competitive gap. For listed companies, there may be no escaping the paperwork.

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Economics focus

Aiming for a happy medium

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What is America's neutral interest rate?

THE decision by America's Federal Reserve to raise the federal funds rate by a quarter of a percentage point, to 2.25%, on December 14th should have surprised no one. The Fed has nudged rates up in quarter-point steps at each of its last five meetings, and makes no secret of its intention to carry on doing so for a while yet. Its chairman, Alan Greenspan, said recently that anyone who has not prepared for higher interest rates is "obviously desirous of losing money." Once again the Fed said this week, in the statement accompanying the interest-rate increase, that it "believes that policy accommodation can be removed at a pace that is likely to be measured."

By any calculation, America's real (ie, inflation-adjusted) short-term interest rates are still extremely low. The Fed's favourite gauge of inflation, the rate of increase of the core personal consumption expenditure deflator, was 1.5% in the year to October, implying a real interest rate of only 0.75%. According to another measure, the University of Michigan's estimate of expected inflation over the next year, now 3%, the real fed funds rate is still negative.

Naturally Swedish

So how high might the fed funds rate go? It is commonly agreed both on Wall Street and in Washington that rates are heading back towards a "neutral" level. The notion of a neutral (or "natural") rate of interest was developed by Knut Wicksell, a Swedish economist writing about a century ago. Wicksell saw this rate as one that was consistent with stable prices and that balanced the supply of and demand for capital.

In its modern incarnation, the neutral rate is the real, short-term interest rate consistent with stable inflation and an economy that is growing just in line with its potential: it keeps the pot cooking, without either boiling over or losing heat. If the real interest rate is below neutral level, monetary policy is loose: if above, policy is contractionary. Several monetary-policy rules of thumb (notably the Taylor rule, named after John Taylor, an economist who is now an official in America's Treasury Department) rely heavily on the idea. The neutral rate is also implicit in the Fed's explanation of its strategy. When it speaks of removing "accommodation" it is, in effect, saying that real rates are below their neutral level.

So much for the theory. What, in practice, is the neutral rate? Unfortunately, the real rate that would keep the economy growing in line with potential and inflation stable cannot be measured directly. It has to be inferred from the actual, nominal rate, the current level of output, estimates of the trend rate of growth and measures of expected inflation. Some economists like to estimate the real federal funds rate over long periods of time and use that as a proxy for the neutral rate. Over the past 40 years, for instance, this has averaged around 3%. Because this period spans several recessions and booms, as well as rising and falling inflation, this average might be a fair guess at the rate of interest consistent with trend growth and stable prices. If the neutral rate is 3%, this implies that the Fed might raise rates by at least a further two, and maybe more than three, percentage points in all.

However, the number varies with the time period chosen. If it includes the 1950s, for example, when rates were low, the average is pulled down. Another problem with this approach is that it assumes the natural rate to be constant. Given the changes in America's economy over the years, that may be a stretch.

More sophisticated approaches estimate the neutral rate using statistical techniques that take into

account not only nominal interest rates and inflation, but also variations in output. One method relates the neutral rate to trend growth, and adjusts it when GDP diverges from its trend. In this way, Thomas Laubach, a Fed economist on leave at the OECD, and John Williams, an economist at the Federal Reserve Bank of San Francisco, found that America's neutral real rate has fluctuated widely, ranging from just over 1% (in the early 1990s) to a little more than 5% (in the late 1960s). Analysis in the OECD's recent *Economic Outlook* puts the neutral real rate at just over 2% in the third quarter of 2004—implying that the fed funds rate is now at least a point or two below neutral.

A further snag, though, is that revisions to economic statistics, which are frequent and inevitable, can change estimates of the neutral rate substantially. According to the OECD, America's neutral real rate of interest in 2002, based on past data alone, was estimated at more than 3%. But if more recent numbers for inflation and output growth are fed in, the estimate drops to just over 2%. Two economists at the Federal Reserve Bank of Kansas City, Todd Clark and Sharon Kozicki, looked at these problems recently and concluded that it was “very difficult” to rely on model-based estimates in analysing current policies.

Some at the Fed share this concern. Roger Ferguson, the Fed's vice-chairman, argued recently that not only was the neutral rate hard to pinpoint, but that there were several reasons why it might, temporarily, depart from its long-run equilibrium. For instance, it might have tumbled in the aftermath of the stockmarket bubble. Other factors, such as Americans' need to save more or the withdrawal of fiscal stimulus, might continue to pull down the neutral rate today. Mr Greenspan, asked by a senator in July where America's neutral rate lay, replied, “We don't know what neutrality is until we get there.”

And maybe not even then. For now, Fed officials can head for neutrality, even while acknowledging that they do not really know where it is. A nominal fed funds rate of 2.25% is still below any sensible estimate of neutrality. But as the nominal rate creeps upwards, monetary-policy judgments will become increasingly difficult. However attractive the theory of a neutral rate, it will not be of much practical help.

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Private spaceflight

One small step for space tourism...

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Getty Images

If plans for a new range of suborbital vehicles get off the drawing board, then holidays in space could get off the ground

IN THE past year, a lot has changed in the field of human spaceflight. In January, President George Bush brushed aside the fact that America's entire space-shuttle fleet was grounded when he announced grandiose plans to put people back on the moon, and then to launch a manned mission to Mars. In June, Burt Rutan, an American aeronautical engineer, showed that human spaceflight was no longer the preserve of governments by sending a man to the edge of space in *SpaceShipOne*, a privately financed vehicle that cost about the same to build as a luxury yacht. That was followed in September by Sir Richard Branson, the British entrepreneur behind the Virgin brand, announcing that he had signed a deal with Mr Rutan to work on plans for a fleet of five suborbital vehicles developed from *SpaceShipOne*.

Now, in the dying days of the year, America's Congress has passed a bill that unravels a tangle about who would be responsible for regulating the fledgling industry, and under what terms. The bill also allows passengers to fly on the understanding that this new generation of vehicles may not be as safe as taking a commercial flight between, say, New York and London.

The official line from Virgin Galactica, as Sir Richard's latest venture is modestly named, is that this coming change in the law makes no practical difference to the firm's plans, since they do not intend to fly unless they can make their spacecraft as safe as a private jet. But it must surely come as some sort of relief. In any case, Will Whitehorn, director of corporate affairs at Virgin's headquarters in London, and soon to become the president of Virgin Galactica, says that work is under way on a mock-up of the interior of a new spacecraft that will hold five passengers. Virgin has already committed $20m towards licensing the *SpaceShipOne* technology from Mr Rutan and his financial backer Paul Allen, a software billionaire.

Up, up and away

If all goes well, Virgin will spend up to $100m on the project. The first milestone will be the signing of the construction contract in the early part of next year, after which work will begin on the exterior of *SpaceShipTwo*. The first in the series of ships will probably be called *VSS Enterprise*, the second *VSS*

Voyager. In other words, they will be named after vessels from “Star Trek”. There will also be a new “mother” aircraft to take them to high altitude prior to their launch into space. Mr Whitehorn says that *VSS Enterprise* should be ready for testing some time during 2007. The plan, he says, is to have six months of intensive testing, but not more.

For close to $200,000, customers will get a three-day experience that will include a lot of medical checks. During this time there will also be some “dietary work”, as Mr Whitehorn coyly describes it. This would ensure that people could get into space without embarrassing themselves by throwing up because their stomachs were too full. And while flat beds may be a luxury on Virgin's transatlantic flights, they will be essential for journeys into space. The flat foam seats will be moulded to individual passengers. This is so that when they are rocketing into the skies they will barely notice a G-force that might cause them to pass out if they were sitting upright, because their blood would be forced from their heads into their bodies.

The only disappointment is that it will not be possible for passengers to bounce around the cabin in zero gravity. They will be attached to their seats with rubber bungees that will allow them to float about a bit, but will reel them in for descent after four or five minutes of weightlessness.

Sceptics might scoff that Virgin Galactica is just another of Sir Richard's many publicity stunts. But it looks serious, and there is already some competition. Blue Origin, a company based in Seattle, and backed by Jeff Bezos, the founder of Amazon, a big internet retailer, appears to be planning to offer rival suborbital flights. Such is the secrecy around the project that, as one industry insider put it, “everyone I know who knows anything about it isn't allowed to talk about it. And please, please don't quote me on that.”

Rumours are that Blue Origin's vehicle will be able to carry seven people. Unlike Virgin's, it will leave the ground under its own steam—or, rather, its own plume of exhaust—and will also land that way, rather than deploying parachutes or gliding on to a runway. And it will be liquid fuelled, like the manned launchers used by the Russian, American and Chinese space agencies, but unlike Mr Rutan's propulsion system, which consists of rubber mixed with laughing gas.

Will anyone want to go? All the studies so far suggest there is indeed enough interest. About 13,000 people from around the world have already registered to pay a deposit with Virgin. Some want to pay the entire amount up-front, in order to guarantee one of the first flights. And if Virgin has got its sums right, it need fill only 5,000 seats over the first five years to turn a profit.

The wild, black yonder

Both the Virgin and the Blue Origin vehicles, though, are designed merely to nibble at the edge of space. They will climb a little beyond the 100km altitude marker that geophysicists regard as the edge of the Earth's atmosphere, but they will not go into orbit. The power required to do that is still the preserve of governments. But not, perhaps, for much longer. In September, news emerged that Robert Bigelow, who runs Bigelow Aerospace, a firm based in Los Angeles, was going to back a $50m prize modelled on the $10m Ansari X prize that led to the creation of *SpaceShipOne*. This prize is for a manned vehicle that is able to reach an altitude of 400km and complete two orbits of the Earth. It must then repeat this feat within 60 days. And it must do it by the end of 2010. Whether $50m is a big enough incentive is doubtful. Even Mr Rutan, who knows a thing or two about cheap and cheerful spaceflight, thinks it would cost around $400m-500m, and 5-7 years, to get a new craft into orbit. He cannot try though, as he is signed up with Virgin for the next two years. So who else would be interested?

Mike Gold, Bigelow Aerospace's lawyer, says that, in addition to the prize, there will be commercial rewards for the company that does it. One of them will be the chance to supply Bigelow “inflatable space habitats”, which are currently being developed as cheap, instant space stations. He suggests that Elon Musk, a co-founder of PayPal, an online payments firm, and also the founder of Space Exploration Technologies (SpaceX) of El Segundo, California, would be a contender. SpaceX is working on rockets designed to launch non-human payloads into space. But everyone, including Mr Musk, agrees that winning the new prize will be a tall order.

Nevertheless, with private companies making inroads into parts of space that were previously the remit of governments, it has to be wondered where all this leaves NASA, America's space agency, and its moribund, earthbound shuttle. The agency did well in the recent budget, and was awarded $16.2 billion, an increase of 5%, in order to further Mr Bush's vision. But whether that vision will outlast his presidency

remains to be seen. This week Sean O'Keefe, who has been NASA's boss since December 2001, announced that he is to move on as soon as a replacement is found. *Après lui, le déluge*?

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Evolution

Repeat after me

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Evidence that evolutionary change is not always a smooth process

ONE of the most acrimonious disputes in biology is between those who believe that evolutionary change is a smooth and gradual process and those who think it happens suddenly—evolution by creeps versus evolution by jerks, as some of the protagonists unkindly put it. The gradualist model tends to be favoured by those who study things that are still alive, while the punctuated-equilibrium model, as the sudden-transition way of looking at the world is known in the trade, finds its support among those who study fossils, and who feel that the evidence from the rocks favours their view.

Now, though, the jerks have some support from two researchers who are studying still-living organisms. John Fondon and Harold Garner work at the University of Texas Southwestern Medical Centre, in Dallas. They have been looking at the genetics of dog breeds. And they have found a mechanism of genetic change that could help to explain punctuated equilibria.

The traditional, creeping-change model of evolution has natural selection working on the genes themselves. Genes carry the blueprints for proteins, the molecules that do most of the hard biochemical work in living creatures. Change the blueprint and you change the protein's function. Most changes will be damaging. But occasionally, by chance, one will be advantageous, and will spread through the population.

Each such advantageous protein change, however, is likely to have only a small effect. So the creeps cannot see how sudden shifts can happen. But the jerks have come up with a possibility—that the pertinent changes are happening not in the genes themselves, but in the bits of DNA that regulate gene expression. These are places near genes at which special proteins that act as gene-switches can attach themselves in order to stimulate or suppress the activity of a gene. Changing the regulatory DNA leaves the proteins derived from a gene unaltered. They therefore continue to work properly. But the amount produced, or the time during development at which they are produced, is different. That could result in large changes in morphology, of the sort that would be obvious in the fossil record in the way that subtle biochemical shifts are not.

The study conducted by Dr Fondon and Dr Garner, and published in the latest edition of the *Proceedings of the National Academy of Sciences*, however, suggests that changes in yet another type of DNA, known as tandem-repeat sequences, may be the key. The two researchers have found that these sequences are associated with the differences in shape between breeds of dog. Tandem repeats are places where short strings of genetic “letters”, the units of which DNA is composed, occur over and over again. Such repeats are frequently found within genes.

Dr Fondon and Dr Garner looked at 92 breeds. They studied tandem repeats from the dog versions of 17 genes believed to control facial characteristics in humans. They also scanned representative skulls of some of the breeds in question in great detail, so that skull geometry could be subjected to computer analysis and correlation with the DNA data.

They found several indications that tandem repeats are, indeed, involved in controlling the differences between dog breeds. First, the repeats had clearly been subjected to intense selection in the recent past. They knew this because the canine repeats were very pure compared with their human equivalents. In other words, they did not contain random mutations of single genetic letters in the way that human repeats did. That suggested the mutations had been got rid of by the process of selection. Second, different breeds of dog had different repeat patterns at particular places in their genomes. Given how recently dog breeds diverged, such differences are strong evidence that the pieces of DNA in question are directly connected with biological differences between breeds. Thirdly, there was a correlation between

the size of one repeated sequence in the different breeds and the dimensions of certain features of those breeds' skulls. Fourthly, in the particular case of Pyrenean dogs, one version of one repeat was perfectly correlated with the tendency of these dogs to have extra toes on their hind feet. No other breed showed either this repeat or this anatomical feature, while in Pyreneans themselves, the repeat was only found in dogs with an extra toe.

It thus looks as though tandem repeats can have significant effects on anatomy. They are also good candidates for causing such change rapidly because the way that new versions are created—by slippage between the two strands of the DNA double helix—is 100,000 times commoner than the single-letter mutations that alter genes.

The truth, of course, is that both gradual and sudden modifications are possible, and that both contribute to evolution. As more genomes are unravelled, the creeping process of mutation-by-mutation change within the genes can be seen in detail. Changes in the protein-binding regulatory sequences that might account for radical shifts in shape can also be seen. There is good reason to believe, for example, that it is a difference in such elements that accounts for the very different body plans of starfish and sea urchins, two groups of creatures that are quite closely related. Dr Fondon and Dr Garner have made an important advance. But the fact is that natural selection will work with whatever material is to hand. To pretend otherwise is to be both a jerk and a creep.

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Religious experience

God and the gap

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A challenge to the idea that religious experiences can be stimulated artificially

PEOPLE with temporal-lobe epilepsy are prone to religious hallucinations. Two decades ago, this finding led Michael Persinger, a neuropsychologist at Laurentian University in Canada, to try stimulating people's temporal lobes artificially, to see if he could induce a religious state in them. He found that he could. By exposing volunteers' temporal lobes to a weak magnetic field, he was able to create in many of them the sensation of an ethereal presence in the room. Depending on a participant's religious inclination, that presence might be experienced as anything from Yahweh to a space alien. Although not all neuroscientists were persuaded by Dr Persinger's results, many researchers were indeed convinced that the neurological seat of religious experience had been found. The story was reported enthusiastically by the media, and, inevitably, charlatans latched on to it too. Electromagnetic headsets promising a personal meeting with God could be had for $225 (shipping not included).

The precise interpretation of Dr Persinger's results has, of course, been controversial. But no one has questioned the results themselves. At least, not until now. But Pehr Granqvist, a psychologist at Uppsala University in Sweden, does now question them. In a paper about to be published in *Neuroscience Letters*, he and his colleagues suggest that Dr Persinger's original methodology was flawed. Repeating the experiment without the alleged flaws, they could find no effect at all.

The flaw Dr Granqvist claims that Dr Persinger's original work suffered from was that it was not properly “double-blinded”. In a double-blind experiment, neither the participant nor the individual conducting the trials knows who is truly being experimented on, and who is a “control”, undergoing the illusion of being a subject in order to see if any observed effect is the result of the circumstances, rather than the substance, of the experiment. Nor, in the case of a psychological experiment, should either the participant or the conductor know the hypothesis being tested. In the case of Dr Persinger's work, Dr Granqvist claims that the individuals conducting the trials, who were often graduate students, knew what sort of results to expect, with the risk that that knowledge would be transmitted to experimental subjects by unconscious cues. Worse, he says that the participants were frequently given an inkling of what was happening by being asked to fill in questionnaires designed to test their suggestibility to paranormal experiences before the trials were conducted.

To ensure blindness in his experiments, Dr Granqvist used two conductors in each trial. The first, who knew nothing of the purpose of the experiments, interacted with the participants. The second switched the magnetic fields on and off without informing either the first experimenter or the participant of what he was doing. The conclusion was that the presence or absence of the field had no relationship with any religious or otherwise mysterious experience reported by the participants. On the other hand, Dr Granqvist and his colleagues found that participants whom a questionnaire (filled in after the trials were over) had indicated were highly suggestible had paranormal experiences regardless of whether the field was on or off.

Dr Persinger disputes the Swedish team's findings. He says his protocol did meet the standards required for double-blindness even though some conductors knew the general area he was working in. He also says that suggestibility was not an issue, but that Dr Granqvist failed to cite the papers which showed this. “If you co-vary for suggestibility, you still get the sensed presence effect very clearly,” he says. “All of those articles weren't mentioned in the Swedish researchers' report even though they must have been aware of them.” Dr Persinger is also convinced that Dr Granqvist and his colleagues failed to generate a “biologically effective signal” in their subjects because of a failure to use the equipment properly. “They didn't check to see if their fields were working,” he says. “We always do. In every experiment, somebody verifies the field.”

All this suggests that a third party should conduct yet another series of experiments. The origins of religious experience are one of the most mysterious phenomena in brain science. It would be nice to get a straight answer.

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A round-up of jazz CDs

The shape of jazz just come

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Corbis

Our pick of the best, including music by Abdullah Ibrahim

TO JUDGE by the pop charts and the pop-music pundits, jazz is enjoying one of its periodic revivals. Bored with bionic dance routines and mindless lyrics, a young public of CD buyers is turning in droves to the charms of classic standards, these delivered by photogenic young vocalists with the backing of smooth and swinging rhythm sections.

Jazz commentators, however, being altogether a fussier bunch, beg to differ. To them, the fashion for quasi-jazz vocals is a mere caprice in the sated world of pop and has nothing to do with the true jazz virtues of spontaneity, commitment and hard-won instrumental mastery. But then those same commentators find it impossible to agree over which artists in the fractious world of hardcore jazz best embody the music's lofty ideals. Or, indeed, to agree over what exactly those ideals are.

Wynton Marsalis, a trumpeter from a New Orleans family of prodigious musical talent, offers a case in point. As head of the stunning new jazz project at New York's Lincoln Centre, Mr Marsalis is a powerful spokesman for the great American jazz tradition. His CD “The Magic Hour” (issued on the Blue Note label) puts his preaching into virtuoso practice.

Mr Marsalis, quartet and guests perform a varied programme of original compositions, the kind of infectious tunes, rhythms and improvisations that have epitomised jazz for much of its history. Yet while some critics praise Mr Marsalis's achievement, others reject it as too self-consciously rooted in the past. “Déjà vu jazz” it is sometimes called, lacking the music's essential creative spark.

For these listeners, the jazz cause is better served by the likes of Django Bates, a free-spirited English pianist and composer. His CD “You Live and Learn...(Apparently)” (Lost Marble) is a gleeful array of whimsical attitudes and idioms. All things by turns and nothing long, Mr Bates delights in a welter of reference—jazz licks intersected by rap, synthesizer, string quartet, surreal vocals—the overall sense is that anything can and should happen. For Mr Bates, improvisation exists to subvert expectation, a view that stimulates or irritates according to your frame of mind. The recording's overall mood, recalling the manic days of the 1960s, is something like a hyperactive Beatles album, an impression heightened by liner notes with a comic-strip layout and larky photographs.

The idea of jazz as subversion is particularly European—and in the former Soviet Union, jazz was even used as a direct assault on the system. Yet some Americans have practised subversion as well, including

Uri Caine, a pianist known for reshaping classical masterworks in his own ebullient way. A recent project of Mr Caine's in this vein reworked Beethoven's “Diabelli Variations”. This was done not to mock but to pay homage, and is full of wit and daring. His latest CD, “Live at the Village Vanguard” (Winter & Winter), proves that Mr Caine can bring those same qualities to a conventional jazz format, the piano trio, in a fresh, hard-swinging set of standards and originals.

All critics agree about an abundance of fine pianists in jazz these days. Of these, Brad Mehldau is often described as the best of his generation and has won a devoted following for a magisterial touch and eclectic programming. His “Live in Tokyo” (Nonesuch) is a showcase for his singular talent, this time as a solo recital. Mr Mehldau is steeped in the classical repertoire of jazz, and he reveals new colours and complexities in works by that genius Thelonious Monk, George Gershwin and even Radiohead, a pop group. He combines magnificent technique with a jazzman's thirst for adventure.

Among improvisers, it is hard to think of anyone more distinctive than Jan Garbarek, a Norwegian saxophonist who has permanently expanded the scope of jazz to include Nordic traditions. His moody themes have less to do with blues and swing than with mesmerising soundscapes that paint the northern lights and rock-bound coasts. “In Praise of Dreams” (ECM) is a rich, evocative mix, unusual for Mr Garbarek, of saxophones and synthesizer, plus viola and soft pulsing drums. Music to chill out by.

Unusual combinations of colour and effect were Duke Ellington's speciality. This year one of his most remarkable achievements, recorded in the 1950s, was re-released. While “Ellington Uptown” (Columbia/Legacy) features witty reworkings of ducal hits—“Take the ‘A' Train” with a bebop vocal, “Perdido” with a boogie beat—its crowning glory is “A Tone Parallel to Harlem”, Ellington's concert-length homage to his stamping ground. After a half-century, this remains a thrilling piece, and runs the scale of emotions from reverence to exaltation, all brilliantly executed by Ellington's elite corps of soloists.

Ellington was not only a master composer and leader, but also a tireless talent-spotter. One of his most impressive protégés is Abdullah Ibrahim, the South African pianist who used to be known as Dollar Brand.

Though inspired by Ellington's sumptuous harmonies, Mr Ibrahim's palette is very much his own, marked out by the exuberant, chant-like vigour of his native land. Such originals as “Ancient Cape” and “African Market Place” convey a deep communal energy, and his “A Celebration” (Enja), a compilation in honour of his 70th birthday, is aptly named. In various instrumental combinations, the CD features Mr Ibrahim on vocals, saxophone and bamboo flute as well as piano. However, a hip-hop remix of an Ibrahim piece is ill-judged.

Seventy was once thought improbably old for a jazz musician, but now many players carry on far beyond that. Dave Brubeck, who was a controversial pianist in the 1950s and 1960s for his experiments with counterpoint and asymmetrical rhythms, turns 85 next year, and his CD “Private Brubeck Remembers” (Telarc) shows him in fine fettle, still full of creativity. Though this recording is made up of tunes from the time of his military service during the second world war, it is no mere nostalgic exercise, but rather a solo recital of subtle pleasure, humour and quiet profundity. Jazz can still be the sound of surprise even when its materials are familiar.

Or even when they are trivial. For a stocking filler this Christmas, you might consider the latest volume in a survey of the works of Louis Armstrong on the Naxos label. “Satchel Mouth Swing” chronicles Armstrong's big-band work in 1936-38. In the past, this period of his work has often been dismissed as mere entertainment. Yet the sheer creative verve with which Armstrong elevates even silly songs to artistic distinction is a lesson in the spontaneous magic of jazz.

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Business books

In praise of the modern firm

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What was the best book about business published in the past 12 months?

Optimised from end to end

THE question admits of no easy answer. Business books include "how to" manuals, treatises on microeconomic theory, biography, popular history and much more. But there is no manual on how to compare them. The judges of awards to works of fiction, such as the Prix Goncourt and the Man Booker prize, know roughly what they are judging and how. They are much like adjudicators at a prize marrow show. By contrast, anyone asked to compare a bunch of business books is being expected to compare marrows with leeks, carrots, tomatoes and runner beans.

So what stands out on the 2004 business-book stall? As usual there was a smattering of fine, well written stuff from North American academics. Henry Mintzberg, a consistently contrary professor of management at McGill University in Montreal, fired a rocket into the academic business community by arguing in "Managers Not MBAs" (published by Berrett-Koehler in America and FT Prentice Hall in Britain) that the MBA, the bread-and-butter of most business schools, "prepares people to manage nothing".

Synthesis, not analysis, Mr Mintzberg argues, "is the very essence of management". Failed leaders such as Robert McNamara (of Ford) and Jeffrey Skilling (of Enron) were star MBA students and brilliant analysts. That was not enough to make them great managers.

In "Pay Without Performance" (Harvard University Press) Lucian Bebchuk of Harvard and Jesse Fried of Berkeley set out to identify the failure of corporate governance that allows chief executives' compensation to carry on rising with little relation to performance. They point the finger firmly at board directors, arguing that "we should focus not only on insulating directors from the influence of executives [the direction of most regulation in the field so far], but also on reducing their current insulation from shareholders."

An imbalance always exists between the few good books and the piles of unreadable ones, made worse this year by an exceptionally poor crop of corporate histories and "inside stories". Nothing compared with last year's "The Smartest Guys in the Room" (Portfolio and Viking), a gripping account of the Enron story by two journalists from *Fortune* that should be a sort of "Barbarians at the Gate" for the early years of the 21st century.

Transport was the publishers' favourite sector this year. Two books came out about JetBlue, not a particularly remarkable low-cost American airline. "Flying High" (John Wiley), the worse of the two, could have been subtitled "How to Succeed Like David Neeleman", the Mormon with attention deficit disorder and nine children who founded the company.

Books about car companies were little better. "Driven" (John Wiley), ostensibly about BMW, is stuffed with details about the carburettors and power-to-weight ratios of almost every model that the Bavarian manufacturer has ever produced. "There will never be a boring BMW," says the author, something not always true of books about BMW.

Every year produces a rich crop of management gobbledegook. "Journey to Lean" (Palgrave Macmillan), winner of an award from Britain's Management Consultancies Association no less, came up with examples

like this: “Each value stream within the operating system must be optimised individually from end to end.”

This reviewer's recent favourite, however, comes from “Ready for Anything” (Viking and Piatkus Books), a book subtitled “52 Productivity Principles for Work and Life” and glowingly endorsed by Arianna Huffington. “I think”, says the author, David Allen, “there are basically two levels to handle for [sic] any unforeseen opportunity: 1. The spiritual. If God is all, and you're part of that, just relax. 2. All the rest. For this you must get your act together, so you can shift gears as required.” Sound advice, no doubt, for anyone obsessing about those BMW power-to-weight ratios.

Some excellent books published during the year fell in the grey area where business and management overlap with economics. Martin Wolf's “Why Globalisation Works” (Yale University Press), as clear an explanation of its title as you could wish to find, was one of them. Another was James Surowiecki's “The Wisdom of Crowds” (Doubleday and Little, Brown), a hymn of praise to the superior judgment of the many in an age when the individual expert is prized above all.

This reviewer's choice as the best book of the year, however, goes to a slim volume put out by Oxford University Press that deserves to be a classic. “The Modern Firm”, written by John Roberts, an economics professor at Stanford Business School, lays out in wonderfully lucid and jargon-free language a framework for thinking about corporate structure, given that “any organisation is multifaceted, and the range of organisational variables is mind-boggling”.

With an economist's discipline, the author introduces the reader as gently as possible to some demanding and stimulating ideas, ones that have already been tested by the likes of BP. Nobody, it can now be said, is fully fit to run a modern firm until they have read “The Modern Firm”.

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New fiction

Don't need a weatherman

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From The Economist print edition

WRITERS of fiction need to seduce the reader into forgetting that their stories are made up, yet the further an author strays from his personal experience, the harder this grows. In his tenth novel, “The Darling”, Russell Banks strays very far indeed, from his own small-town New England to Liberia during the murderous coup, capricious reign and bloody deposing of Samuel Doe, lunatic.

A whiff of contrivance is there at the start, when Mr Banks chooses to make Hannah, his young protagonist, a white radical-chic terrorist—a member of the “Weathermen” group—in flight from the FBI. When Hannah follows another Weatherman to West Africa, the story continues to feel made up.

Yet once Hannah marries a Liberian, a calculating government minister named Wilson whose allegiances are divided between western modernity and his traditional rural upbringing, the novel becomes altogether more convincing. Hannah bears Wilson three sons, while nursing chimpanzees in a crumbling medical-research lab in Monrovia. When Doe seizes control of Liberia, Wilson manages to keep his job. But Doe insists that Wilson's wilful wife return to the United States, so that he can better manipulate his cabinet.

The Darling
By Russell Banks

HarperCollins; 400 pages; $25.95. To be published in Britain by Bloomsbury in March 2005

Buy it at
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Amazon.co.uk

Back in America, Hannah pines for the country she now considers to be home. With her revolutionary spirit still strong, she springs Charles Taylor, Doe's rival Liberian renegade, from jail in Massachusetts. In letting the evil genie out of the bottle, she is, unknown to her, abetted by the State Department, which prefers to see Taylor in power.

Hannah imagines that Taylor, a populist, will liberate his country and make of it a socialist utopia. After Doe allows her to rejoin her family in Monrovia, Hannah is witness to brutal civil war, as the forces of Taylor, Doe, Prince Johnson and troops of ECOMOG, the Nigerian-led West African intervention force acting as supposed peacekeepers, tear the country to pieces. Once the smoke has cleared, her husband has been decapitated, her sons have become drug-addled torturers for Prince Johnson (who in real life tortured Doe to death) and her chimps have been devoured as bush meat.

It is always brave to create an unattractive protagonist, and Hannah is not appealing. This is a cold, self-righteous woman who shows little attachment to her husband, feels estranged from her children and treats her mystified liberal parents with contempt. She flips unconcernedly back and forth from lesbianism to heterosexuality. Her only passion is for chimpanzees (or “the dreamers”, a name that is strangely annoying).

Mr Banks's depiction of American meddling in foreign wars is not new, and is more artfully explored by Graham Greene. His more interesting point is about the do-gooder, who in Hannah's case does no good at all. Even her capacity for empathy is taken to task as a mere projection of herself on to others.

Mr Banks has written some memorable works, in particular, “The Sweet Hereafter”, set in home territory. But this story never quite sheds a nagging sense of being invented. Even so, “The Darling” is well crafted and courageously conceived. If just shy of persuasive, the tale is entertaining, and runs through the recent history of poor Liberia in a more captivating form, for many, than straight non-fiction.

The Darling.
By Russell Banks.
HarperCollins; 400 pages; $25.95. To be published in Britain by Bloomsbury in March 2005

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Plastic surgery

Building site

Dec 16th 2004
From The Economist print edition

MANY of the thousands of Royal Air Force and British Commonwealth aircrew during the second world war survived being shot down while flying bombing raids over Germany or during the Battle of Britain. Yet the survivors were often horrifically burned, particularly on exposed areas such as the face, hands, ankles, lips and eyes. What became of these men, and how they were treated medically and refitted psychosocially, is the subject of Emily Mayhew's engaging piece of research, history and recollection.

Plastic surgery and burns treatment were in their infancy in the years before 1939, with death the usual outcome for those badly burned. The author explains how the need to treat injured airmen from the Battle of Britain in 1940 gave the crucial impetus to developing techniques of reconstructive surgery after burns.

The pivotal figure in the story is Sir Archibald McIndoe, whose uncle, a hero to him, had been a British army surgeon in the first world war. McIndoe installed himself in a hospital in the southern English town of East Grinstead, where he oversaw the development of Ward 3, a specialist burns unit. The hospital, the Queen Victoria, became better known simply as East Grinstead. Meanwhile, McIndoe's RAF charges called themselves the Guinea Pig Club.

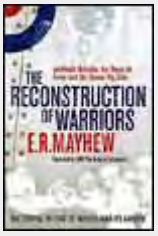
This story is astutely researched and pithily told. Dr Mayhew writes of suffering, patience and pioneering medical brilliance. She describes how McIndoe refused to be dictated to by bureaucracy, and how his patients came to represent the heroism of the RAF in the eyes of the wartime public.

The book is full of charming instances that capture the spirit of the war years. One Australian guinea pig, Harold Taubman, remembers coming round after surgery to see a fellow airman in a wheelchair, leg in plaster, chasing a nurse down the ward and shouting “Taxi! Taxi!”.

McIndoe inspired a generation of able fellow surgeons. One, Percy Jayes, reconstructed the severely burned face and hands of this reviewer's father, a Hussar officer wounded leading a tank assault against a German-occupied village in the Netherlands in 1944. His skills meant that this officer was able to live and work for another 60 years, thanks to the treatment received in the now legendary hospital at East Grinstead.

The Reconstruction of Warriors: Archibald McIndoe, the Royal Air Force and the Guinea Pig Club.
By E.R. Mayhew.
Greenhill Books; 240 pages; £18.99. Distributed in America by Stackpole Books; $34.95

The Reconstruction of Warriors: Archibald McIndoe, the Royal Air Force and the Guinea Pig Club
By E.R. Mayhew



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Short stories

Peripheral visions

Dec 16th 2004
From The Economist print edition

Our round-up of recent works

THESE collections of short stories take the reader to the hinterland. For example, authors from Canada—a place often at the periphery of American vision—help to remind its sometimes overbearing neighbour that a whole other world up north is very particular indeed.

Alice Munro has just published her 11th collection of stories, and deserves the praise these have got. “Runaway” is set largely in Ms Munro's native Ontario. The author is acutely attuned to the rural and to the ordinary, at first glance. None of her characters admit to easy definition. They have unlikely fascinations, such as a passion for Latin and Greek. Yet their experiences set off flashes of wider recognition: “Without exactly meaning to, she lost contact with most of her friends.”

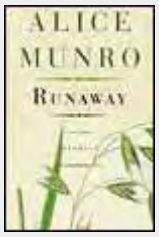
Likewise, anyone with a burdensome sense of decency would sympathise with the young woman on a train, plagued by a lonely bore in the same carriage intent on conversation. This woman, for much of her life, had felt “surrounded by people who wanted to drain away her attention and her time and her soul. And usually, she let them.” Alas, the girl snubs the unwanted attentions for once, only to have the man throw himself in front of the train.

In perhaps the most affecting story, another young woman destroys her chances of gaining a devoted husband by taking a debauched drive with her fiancé's alcoholic brother. These plots ring true but never feel trite. Ms Munro's prose is translucent, never intruding. Indeed, her whole approach is a humble one, focused on the stories themselves. It is easy to overlook how skilfully they are told.

David Bezmozgis was born in Latvia and emigrated as a boy to Toronto, growing up in a Russian-Jewish community. It is here that his first collection of stories, “Natasha”, is set. While the immigrant experience in the United States has been much explored, Mr Bezmozgis's less familiar shores are refreshing. His new arrivals to Toronto are hapless. A brother and sister experiment naughtily with English, but calling a neighbour's beloved dog “shithead” elicits tragedy. Desperate to invigorate his flagging massage business, a father submits to the condescension of a wealthier couple stooping to help Soviet Jewry, an exercise that both humiliates and is to no avail. The voice in “Natasha” is assured, inviting and warm. Toronto's Russian community will be alien to most readers, but not by the end of his book.

A word of warning to the many fans of “Life of Pi”, a past winner of the Man Booker prize whose author, Yann Martel, is also based in Canada. “The Facts Behind the Helsinki Roccamatios” is old work, as the author admits. With only four stories, the book is also thin in every sense. Apart from the title work, about a friend dying of AIDS, it is painfully sophomoric—experimentation done for its own sake. Capitalising on the runaway success of “Life of Pi” proved too great a temptation. Nonetheless, these exercises are what they make desk drawers for.

Runaway
By Alice Munro



Knopf; 335 pages; $25.
Chatto & Windus; £15.99

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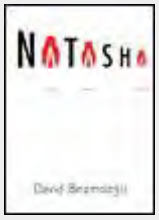
Natasha, and Other Stories
By David Bezmozgis



Farrar, Straus and Giroux; 160 pages; $18.
Jonathan Cape; £10.99

Buy it at
Amazon.com
Amazon.co.uk

The Facts Behind the Helsinki Roccamatios
By Yann Martel

Harcourt; 224 pages; $22.
Canongate; £9.99

Rachel Seiffert is from Oxford, but has spent years in Scotland and Germany; “Field Study” is pan-European in scope. Like Mr Bezmozgis, Ms Seiffert uses some of the same characters from story to story, which helps draw the collection together. They include eastern Europeans struggling to adapt to the delights of capitalism.

“Blue” is perhaps Ms Seiffert's most moving story. In it, a young man battles the beer-and-fags priorities of working-class Britain to rent and paint a flat for his estranged girlfriend, who is pregnant. As an enticement to a responsible two-parent future, the intended love-nest almost—but only almost—succeeds. Ms Seiffert's tone is dreadfully sober, but her writing is solid and carefully wrought.

Joy Williams's hilarious “Honored Guest” is anything but sober, and plays an offbeat counterpoint to these sterner collections. The only American surveyed here, Ms Williams sets her whacky tales in the wild, wild west of a crass, commercialised Arizona. Her characters have a demented dissociation from nature and for ever confuse the animate and the inert. A woman falls in love with a talking lamp made from stuffed deer's legs, while she carts her brain-damaged husband about like a taxidermy project. An old woman in a nursing home begs for the companionship of her dog back home, which turns out to be a barking machine to ward off burglars.

Walk-ons—usually stupid, lazy and rude—are nailed in a few brutal strokes: “In her cart was a big bag of birdseed and a bottle of vodka.” Yet characters usually hang themselves. One cries: “I feel, I really feel this, that my capacity to adapt to what is has been exceeded!” Another says: “I hope you aren't under the misperception that blind people are good people. It just isn't so. Blind people don't feel that they have to interact with others at all. They contribute nothing to conversation.” If her take is absurdist, Ms Williams's delivery is deadpan: “The dog was clearly not habituated to riding in cars, and had no sense of the happiness it could bring.”

Runaway.
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Knopf; 335 pages; $25.
Chatto & Windus; £15.99

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Field Study.
By Rachel Seiffert.
Pantheon; 224 pages; $19.95.
William Heinemann; £12.99

Honored Guest.
By Joy Williams.
Knopf; 224 pages; $23

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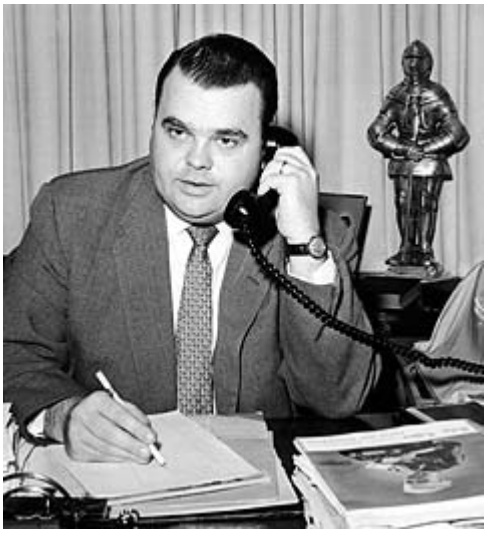
Obituary

Billy James Hargis

Dec 16th 2004
From The Economist print edition

Billy James Hargis, televangelist, died on November 27th, aged 79

Getty Images



THE sinning televangelist has become such a staple of American life that it is hard to credit that, at one time, the role was new. Long before Jim and Tammy Bakker fell from grace (baby-faced Jim having been taken in adultery), long before Jimmy Swaggart ("Lift up the Name of Jesus!") had been snapped in a motel with a Louisiana hooker, there was Billy James Hargis. But whereas Jim and Tammy confessed their sins, to the ruin of Tammy's mascara, and Jimmy admitted his loathsomeness in floods of tears on national TV, Billy James was never exactly sorry.

He was not sorry because the Devil was to blame; the Devil, and communists. Both were out to get him. They were, of course, in cahoots. The entire left-wing movement, as he often said, was of the Devil. In the 1950s and 1960s, Mr Hargis's heyday, Satan and the Reds had their claws deep in America's government, its schools, the Federal Reserve, the National Council of Churches, the movie industry and the press—especially *Newsweek* and the *New York Times*. Though the communists in the country might be numbered in mere thousands, a violent takeover was imminent.

Mr Hargis had reached this conclusion in 1947. He was then pastor of the First Christian church in Sapulpa, Oklahoma: a small parish outside Tulsa, suitable for a poor boy who had dropped out of Ozark Bible College with no training to speak of, just a feeling that he should preach. In Sapulpa, oddly enough, "I became aware of the threat of communism internally."

No one could accuse Mr Hargis of downplaying the menace. At the height of his fame, he made daily broadcasts on 500 radio stations and 250 TV channels. (In 1950, he had been one of the first evangelists to preach on the small screen.) His Christian Crusade ministry also put out a weekly intelligence report on the progress of Soviet plots. He wrote books: "Communism: The Total Lie", "The Real Extremists—The Far Left", "Why I fight for a Christian America", and his bestseller, "Is the School House the Proper Place to Teach Raw Sex?" (Possibly; more on that later.)

For four years, starting in 1953, he launched a million hydrogen balloons from West Germany towards the east. They contained verses of Scripture, sent "to succour the poor starved captives of communism". Rather less lightly, he himself hit the pulpit across America and in "foreign lands", perfecting his own style of shouting, flailing and sweating with an energy alarming in a man of his girth.

As televangelists do, he also set up courses and centres of learning: the National Anti-Communist Leadership School, the Christian Crusade Anti-Communist Youth University and, in Tulsa, the American Christian College. A naive reporter once asked him what was taught there. Why, Mr Hargis answered, "anti-communism, anti-socialism, anti-welfare state, anti-Russia, anti-China, a literal interpretation of the Bible and states' rights." As if he had needed to ask.

Tax troubles

After a while the authorities, stirred up by the Evil One, got interested in him. The Christian Crusade was a supposedly religious charity with tax-exempt status; yet Mr Hargis's work seemed mostly political. Its

purposes were allegedly altruistic; yet Mr Hargis drew a salary of $25,000 from it, besides his utility bills, his house, his clothes, his colour TV, his travelling expenses and his dry-cleaning bills. In 1964 the tax-exemption was withdrawn by the Internal Revenue Service, and his reputation spoiled.

Seven years later, sex reared its head. For Mr Hargis, adopted and brought up in crushing Christian poverty in Texas, fun had meant daily Bible-readings and, once a week, gospel choir. He gave the impression that nothing had ever changed. The targets of his daily wrath were not only homosexuals and women's libbers but the blatantly sexual pop-gods of the day: “When the Beatles thrust their hips forward while holding their guitars and shout, ‘Oh Yeah!!' who cannot know what they really mean?”

Yet in 1974 both male and female students at the American Christian College, and three male members of the college choir, the All-American Kids, claimed Mr Hargis had deflowered them. One couple allegedly made the discovery, on their wedding night, that Mr Hargis had slept with them both. He strenuously denied wrongdoing, citing the biblical love of David for Jonathan, blaming “chromosomes and genes” (an unexpectedly scientific explanation) and threatening to blacklist his defamers. Later, when the scandal had caused the collapse of his college and his empire, he defended himself with a line that has since become a televangelical favourite: “I was guilty of sin, but not the sin I was accused of.”

Amid all the venality, there were some good works: missions, orphanages and clinics set up in Africa. Despite his straying, his marriage was long and happy. He gave delight to liberals everywhere, and spawned a host of successors who gave even more. And, evidently, he helped to save America from the foreign hordes, encouraged by “parlour Bolsheviks and pink revolutionists” at home, who were waiting to overthrow freedom at its very source. No wonder God, an American, had forgiven him.

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Overview

Dec 16th 2004
From The Economist print edition

In its fifth interest-rate rise this year, America's **Federal Reserve** put up its key rate by one-quarter of a percentage point to 2.25%. As expected, the central bank's statement was little changed from earlier ones and repeated the claim that “inflation and longer-term inflation expectations remain well contained.”

America's **producer prices**, however, gave some analysts cause for worry. In November, these rose by 0.5%, compared with expectations of a 0.1% rise. Core producer prices, excluding volatile food and energy prices, rose by 1.9% in the year to November, the fastest pace in more than four years. Other figures show continued economic strength. In November, industrial output rose by 0.3% and retail sales outpaced forecasts for the third straight month. October's retail-sales growth was revised up to 0.8% from the previous estimate of 0.2%. Consumer sentiment rose in December, according to the University of Michigan's survey.

America's goods-and-services **trade deficit** widened by a greater-than-expected 9% in October. The 12-month deficit rose to $584 billion, a record high. Goods-and-services imports rose by 3.4% in October, fuelled by higher oil prices as well as continued strong domestic demand for foreign goods. Despite a weakening dollar, exports rose by only 0.6% in October.

Foreigners' love of **American assets** faded in October. Net capital inflows were $48.1 billion, down from September's upwardly revised inflow of $67.5 billion.

Factories in the biggest European economies are slowly getting busier. In the year to October, industrial output rose by 1.4% in **France** and by 1.9% in **Germany**. During the same period, industrial output fell by 0.5% in **Italy**. In **Sweden**, industrial production rose by 5.0% in the year to October.

Business confidence in **Japan** ebbed in the fourth quarter from the 13-year high reached last quarter, according to the Tankan survey. But the survey also showed plans for stronger capital investment, which is reckoned to bode well for growth next year.

Consumer-price inflation in **Britain** rose to a five-month high of 1.5% in the 12 months to November, up from 1.2% in the year to October, in part because of higher transportation costs and utility bills.

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Output, demand and jobs

Dec 16th 2004
From The Economist print edition

% change on year ago

	GDP latest		GDP qtr*	The Economist poll GDP forecasts 2004	2005	Industrial production latest		Retail sales (volume) latest		Unemployment % rate latest		year ago
Australia	+ 3.0	Q3	+ 1.2	+ 3.6	+ 3.1	+ 4.6	Q2	+ 5.7	Q3	5.2	Nov	5.7
Austria	+ 1.8	Q2	+ 3.5	+ 1.7	+ 2.1	+ 6.5	Sep	+ 2.2	Sep	4.5	Oct	4.6
Belgium	+ 3.0	Q3	+ 3.2	+ 2.5	+ 2.1	+ 3.2	Oct	+ 2.7	Sep	12.8	Nov†	12.5
Britain	+ 3.1	Q3	+ 1.8	+ 3.2	+ 2.4	– 1.9	Oct	+ 6.0	Oct	4.7	Oct††	5.0
Canada	+ 3.3	Q3	+ 3.2	+ 2.9	+ 3.1	+ 3.8	Sep	+ 3.6	Aug	7.3	Nov	7.5
Denmark	+ 1.9	Q3	+ 0.2	+ 2.2	+ 2.2	– 3.3	Oct	+ 6.5	Oct	6.3	Oct	6.0
France	+ 2.0	Q3	+ 0.3	+ 2.2	+ 1.9	+ 1.4	Oct	+ 2.3	Oct	9.9	Oct	9.9
Germany	+ 1.3	Q3	+ 0.4	+ 1.4	+ 1.4	+ 1.9	Oct	– 2.6	Oct	10.8	Nov§	10.5
Italy	+ 1.3	Q3	+ 1.7	+ 1.2	+ 1.5	– 0.5	Oct	– 3.6	Sep	8.1	Apr	8.7
Japan	+ 2.6	Q3	+ 0.2	+ 3.9	+ 1.9	– 0.8	Oct	– 2.2	Oct	4.7	Oct	5.2
Netherlands	+ 1.4	Q3	+ 0.8	+ 1.2	+ 1.3	+ 0.3	Oct	– 0.7	Sep‡	6.3	Oct**	5.4
Spain	+ 2.6	Q3	+ 2.4	+ 2.6	+ 2.5	– 7.0	Oct	+ 0.2	Oct	10.5	Oct	11.2
Sweden	+ 3.6	Q2	+ 4.0	+ 3.4	+ 2.8	+ 5.0	Oct	+ 3.5	Oct	4.9	Oct†	5.1
Switzerland	+ 1.8	Q3	+ 1.4	+ 1.8	+ 1.8	+ 4.3	Q2	– 1.0	Oct	3.9	Nov†	4.0
United States	+ 4.0	Q3	+ 3.9	+ 4.4	+ 3.5	+ 4.2	Nov	+ 5.2	Oct	5.4	Nov	5.9
Euro area	+ 1.8	Q3	+ 1.2	+ 1.8	+ 1.7	+ 2.9	Sep	– 0.2	Oct	8.9	Oct	8.9
MORE COUNTRIES	Data for the countries below are not provided in printed editions of *The Economist*											
Finland	+ 3.2	Q3	+ 4.3	na	na	+ 7.0	Oct	+ 4.9	Sep	8.0	Oct†	8.3
Greece	+ 3.8	Q3	+ 1.8	na	na	+ 0.8	Sep	+ 4.2	Sep	na		na
Iceland	+ 6.2	Q2	na	na	na	na		na		2.7	Oct†	2.8
Ireland	+ 4.1	Q2	na	na	na	– 5.8	Oct	+ 3.2	Sep	4.3	Nov	4.5
Luxembourg	+ 2.1	2003	na	na	na	– 1.2	Dec	+ 2.8	Sep	4.3	Oct	4.0
New Zealand	+ 6.0	Q2	+ 4.6	na	na	+ 5.5	Q2	+ 7.4	Q3	3.8	Q3	4.4
Norway	+ 4.1	Q2	+ 5.0	na	na	+ 1.2	Oct	+ 2.4	Oct	3.5	Nov‡	3.7
Portugal	+ 0.8	Q3	– 4.9	na	na	– 7.8	Oct	+ 3.6	Sep	6.8	Q3†	6.1

*% change on previous quarter at an annual rate. †Not seasonally adjusted. ‡New series. ††Aug-Oct; claimant count rate 2.7% in Nov. §EU harmonised rate 9.9% in Oct. **Aug-Oct.

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Prices and wages

Dec 16th 2004
From The Economist print edition

% change on year ago

	Consumer prices latest		Consumer prices year ago	The Economist poll consumer prices forecast 2004	2005	Producer prices latest		Producer prices year ago	Wages/earnings latest		Wages/earnings year ago
Australia	+ 2.3	Q3	+ 2.6	+ 2.4	+ 2.5	+ 6.1	Q3	– 0.1	+ 3.7	Q3	+ 5.1
Austria	+ 2.6	Oct	+ 1.0	+ 1.9	+ 1.7	+ 5.6	Nov	+ 2.7	+ 2.0	Nov	+ 2.3
Belgium	+ 2.5	Nov	+ 1.9	+ 2.0	+ 1.7	+ 6.0	Oct	– 1.0	+ 2.4	Oct	+ 1.8
Britain	+ 1.5	Nov*	+ 1.3	+ 1.5	+ 1.7	+ 3.5	Nov	+ 1.7	+ 4.1	Oct†	+ 3.6
Canada	+ 2.3	Oct	+ 1.6	+ 1.9	+ 2.1	+ 5.4	Oct	– 4.0	+ 2.6	Sep	+ 3.0
Denmark	+ 1.3	Nov	+ 1.5	+ 1.2	+ 1.7	+ 3.2	Nov	+ 0.6	+ 2.9	Q3	+ 3.7
France	+ 2.0	Nov	+ 2.3	+ 2.2	+ 1.6	+ 3.5	Oct	+ 0.3	+ 2.7	Q3	+ 2.9
Germany	+ 1.8	Nov	+ 1.3	+ 1.8	+ 1.4	+ 4.1	Nov	+ 1.3	+ 0.9	Sep	+ 2.6
Italy	+ 2.0	Nov	+ 2.5	+ 2.3	+ 2.0	+ 4.4	Oct	+ 0.7	+ 2.7	Oct	+ 2.6
Japan	+ 0.5	Oct	nil	– 0.1	nil	+ 2.0	Nov	– 0.5	– 0.2	Oct	+ 2.1
Netherlands	+ 1.3	Nov	+ 2.0	+ 1.4	+ 1.2	+ 6.9	Oct	– 0.2	+ 1.0	Nov	+ 2.4
Spain	+ 3.5	Nov	+ 2.8	+ 3.0	+ 2.8	+ 5.4	Oct	+ 0.6	+ 3.1	Q2	+ 4.2
Sweden	+ 0.5	Nov	+ 1.4	+ 0.7	+ 1.6	+ 3.0	Oct	– 1.9	+ 3.0	Sep	+ 2.5
Switzerland	+ 1.5	Nov	+ 0.5	+ 0.8	+ 1.2	+ 2.0	Oct	– 0.3	+ 1.4	2003	+ 1.8
United States	+ 3.2	Oct	+ 2.0	+ 2.7	+ 2.3	+ 5.1	Nov	+ 3.4	+ 2.4	Nov	+ 2.2
Euro area	+ 2.2	Nov	+ 2.2	+ 2.1	+ 1.8	+ 4.0	Oct	+ 0.8	+ 2.0	Q3	+ 2.8
MORE COUNTRIES	Data for the countries below are not provided in printed editions of *The Economist*										
Finland	+ 0.5	Nov	+ 0.5	na	na	+ 3.0	Oct	– 0.9	+ 3.1	Q3	+ 4.3
Greece	+ 3.1	Nov	+ 3.3	na	na	+ 2.9	Oct	+ 1.8	na		na
Iceland	+ 3.9	Dec	+ 2.7	na	na	+ 6.1	Nov	+ 3.3	+ 5.3	Oct	+ 5.5
Ireland	+ 2.9	Nov	+ 2.2	na	na	– 0.4	Oct	– 8.4	+ 3.8	Q2	+ 8.0
Luxembourg	+ 2.4	Nov	+ 1.8	na	na	+15.0	Sep	+ 0.5	– 0.4	Dec	+ 0.7
New Zealand	+ 2.5	Q3	+ 1.5	na	na	+ 2.5	Q3	+ 0.1	+ 2.2	Q3	+ 2.3
Norway	+ 1.2	Nov	+ 1.4	na	na	+13.3	Nov	+ 7.4	+ 4.6	Q3	+ 4.2
Portugal	+ 2.1	Oct	+ 3.0	na	na	+ 5.2	Oct	– 0.8	+ 1.4	Sep	– 1.8

*New series. RPI inflation rate 3.4% in Nov. †Aug-Oct.

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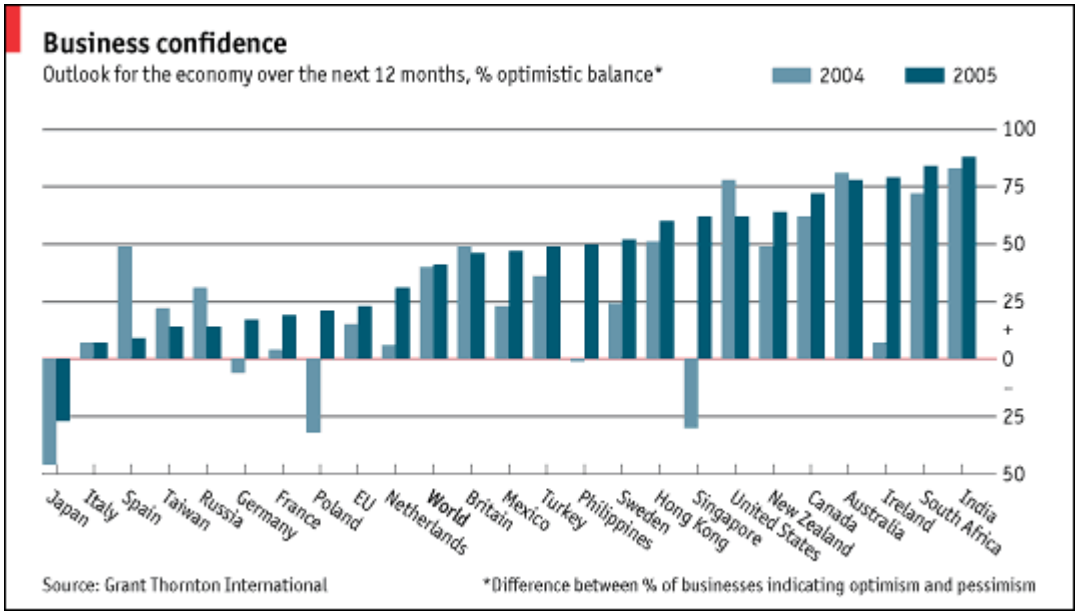
Business confidence

Dec 16th 2004
From The Economist print edition



Company owners have a more optimistic outlook for the economy than they did last year, according to a survey by Grant Thornton, an accounting firm. Respondents in India, South Africa and Ireland are the most upbeat. America is one of the few countries in which respondents have become gloomier since last year, but Japan is the only country in the survey with a pessimistic balance of economic expectations for 2005.

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Money and interest rates

Dec 16th 2004
From The Economist print edition

	Money supply* % change on year ago			Interest rates % a year (Dec 15th 2004)					
				3-mth money market		2-year	10-year gov't bonds		corporate
	narrow	broad		latest	year ago	gov't bonds	latest	year ago	bonds
Australia	+ 5.0	+ 9.5	Oct	5.42	5.49	4.89	5.19	5.67	6.05
Britain	+ 5.8	+ 9.8	Oct	4.83	3.97	4.36	4.45	4.73	5.25
Canada	+15.6	+10.7	Oct	2.43	2.62	2.86	4.30	4.70	5.74
Denmark	+10.2	+ 9.5	Oct	2.25	2.23	2.40	3.70	4.38	5.07
Japan	+ 3.9	+ 2.1	Nov	0.02	0.02	0.09	1.35	1.31	1.44
Sweden	+ 1.4	+ 3.1	Oct	1.97	2.67	2.23	3.73	4.68	2.28
Switzerland	– 5.4	+ 1.4	Nov	0.78	0.25	0.96	2.19	2.58	2.26
United States	+ 4.6	+ 4.8	Oct	2.37	1.05	2.95	4.07	4.18	5.53
Euro area†	+ 9.0	+ 5.8	Oct	2.18	2.14	2.28	3.50	4.21	3.41

*Narrow: M1 except Britain and Sweden M0, broad: M2 or M3 except Britain M4. †Germany for bonds. Benchmarks: US 30-year 4.71%, Japan No. 265 1.37%. Central bank rates: US fed funds 2.25%, ECB refinancing 2.00%, BOJ overnight call 0.001%, BOE repo 4.75%. Sources: Commerzbank, Danske Bank, J.P. Morgan Chase, Royal Bank of Canada, Stockholmsbörsen, UBS, Global Insight, Westpac, Thomson Datastream. Rates cannot be construed as banks' offers.

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The Economist commodity price index

Dec 16th 2004
From The Economist print edition

1995=100

	Dec 7th	Dec 14th*	% change on one month	% change on one year
Dollar index				
All items	88.2	86.8	– 1.8	– 2.3
Food	81.1	79.8	– 1.8	– 9.5
Industrials				
All	97.8	96.4	– 1.8	+ 7.2
Nfa†	81.3	80.4	– 2.5	– 8.9
Metals	111.8	110.0	– 1.3	+20.4
Sterling index				
All items	71.6	71.2	– 5.4	–11.1
Euro index				
All items	86.4	86.0	– 4.1	– 9.3
Yen index				
All items	96.4	97.5	– 1.7	– 4.2
Gold				
$ per oz	452.25	436.90	– 0.7	+ 7.1
West Texas Intermediate				
$ per barrel	41.40	41.82	– 9.2	+27.1

* Provisional. † Non-food agriculturals.

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Stockmarkets

Dec 16th 2004
From The Economist print edition

Market indices

	Dec 15th	2004 high	2004 low	% change on one week	% change on record high	% change on Dec 31st 2003 in local currency	% change on Dec 31st 2003 in $ terms
Australia (All Ordinaries)	3,953.0	3,959.9	3,274.9	+ 1.1	– 0.2	+19.6	+21.4
Austria (ATX)	2,391.6	2,391.6	1,568.9	+ 1.2	nil	+54.8	+64.7
Belgium (Bel 20)	2,927.4	2,927.4	2,244.2	+ 0.7	–20.5	+30.4	+38.8
Britain (FTSE 100)	4,728.2	4,805.3	4,287.0	+ 0.5	–31.8	+ 5.6	+14.7
Canada (Toronto Composite)	9,106.2	9,106.2	8,123.5	+ 1.1	–20.0	+10.8	+16.7
Denmark (KBX)	253.2	256.5	219.0	– 0.3	–16.1	+18.5	+26.3
France (SBF 250)	2,610.5	2,623.3	2,386.1	+ 0.6	–40.5	+ 8.2	+15.2
(CAC 40)	3,803.0	3,844.1	3,465.3	+ 0.7	–45.1	+ 6.9	+13.7
Germany (DAX)	4,213.7	4,231.3	3,647.0	+ 0.3	–47.8	+ 6.3	+13.1
Italy (BCI)	1,447.1	1,447.1	1,239.5	+ 1.8	–33.7	+15.2	+22.5
Japan (Nikkei 225)	10,956.5	12,163.9	10,365.4	+ 0.1	–71.8	+ 2.6	+ 5.6
(Topix)	1,101.7	1,217.9	1,022.6	+ 0.2	–61.8	+ 5.6	+ 8.6
Netherlands (AEX)	344.5	364.8	310.7	+ 0.3	–50.9	+ 2.0	+ 8.6
Spain (Madrid SE)	938.0	939.7	804.4	+ 0.8	–18.2	+16.1	+23.5
Sweden (Affarsvarlden Gen)	219.0	222.6	188.5	– 0.5	–45.3	+16.3	+24.9
Switzerland (Swiss Market)	5,640.3	5,934.4	5,309.7	+ 1.3	–32.9	+ 2.8	+11.5
United States (DJIA)	10,691.5	10,737.7	9,750.0	+ 1.9	– 8.8	+ 2.3	+ 2.3
(S&P 500)	1,205.7	1,205.7	1,063.2	+ 1.9	–21.1	+ 8.4	+ 8.4
(NASDAQ Comp)	2,162.6	2,162.6	1,752.5	+ 1.7	–57.2	+ 7.9	+ 7.9
Europe (FTSE Eurotop 300)*	1,037.8	1,039.2	940.9	+ 0.4	–39.1	+ 8.3	+15.3
Euro area (FTSE Ebloc 100)*	891.8	894.9	787.2	+ 0.4	–42.5	+ 7.2	+14.1
World (MSCI)†	1,150.5	1,150.5	997.0	+ 1.7	–20.6	+11.0	+11.0
World bond market (Citigroup)‡	662.7	662.7	575.1	+ 1.2	nil	+ 9.8	+ 9.8

*In euro terms. †Morgan Stanley Capital International index includes individual markets listed above plus eight others, in $ terms.
‡Citigroup World Government Bond Index, total return, in $ terms.

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Trade, exchange rates and budgets

Dec 16th 2004
From The Economist print edition

	Trade balance*, $bn latest 12 months		Current-account balance $bn latest 12 mths		Current-account balance The Economist poll % of GDP, forecast 2004	Current-account balance The Economist poll % of GDP, forecast 2005	Exchange rate trade-weighted† 1990=100 Dec 15th	Exchange rate trade-weighted† 1990=100 year ago	Currency units per $ Dec 15th	Currency units per $ year ago	Currency units per £	Currency units per euro	Currency units per ¥100	Budget balance % of GDP 2004‡
Australia	− 16.6	Oct	− 36.2	Q3	− 5.9	− 5.4	85.7	87.1	1.31	1.35	2.54	1.75	1.26	+ 0.7
Austria	− 0.1	Sep	− 1.1	Sep	− 0.5	− 0.6	103.3§	102.8	0.75	0.82	1.45	–	0.72	− 1.5
Belgium	+ 20.5	Sep	+ 13.0	Jun	+ 3.2	+ 3.2	103.6§	102.9	0.75	0.82	1.45	–	0.72	− 0.1
Britain	−103.2	Oct	− 41.7	Q2	− 2.5	− 2.7	103.8	100.4	0.51	0.57	–	0.69	0.49	− 3.2
Canada	+ 49.6	Oct	+ 26.7	Q3	+ 2.7	+ 2.3	92.8	86.9	1.23	1.31	2.38	1.65	1.18	+ 1.1
Denmark	+ 9.5	Oct	+ 6.2	Oct	+ 3.0	+ 2.6	107.3	106.8	5.54	6.08	10.8	7.43	5.32	+ 0.9
France	− 5.2	Oct	− 3.1	Oct	+ 0.2	+ 0.2	107.2§	106.4	0.75	0.82	1.45	–	0.72	− 3.7
Germany	+189.1	Oct	+ 91.5	Oct	+ 3.3	+ 3.1	105.0§	103.9	0.75	0.82	1.45	–	0.72	− 3.9
Italy	+ 2.4	Sep	− 12.6	Sep	− 0.9	− 1.0	76.4§	75.8	0.75	0.82	1.45	–	0.72	− 2.9
Japan	+135.8	Oct	+169.9	Oct	+ 3.5	+ 3.4	135.6	136.7	104	108	202	140	–	− 6.5
Netherlands	+ 35.6	Oct	+ 21.0	Q3	+ 2.9	+ 3.0	103.2§	102.4	0.75	0.82	1.45	–	0.72	− 2.9
Spain	− 68.5	Sep	− 38.5	Aug	− 3.3	− 3.6	77.6§	77.1	0.75	0.82	1.45	–	0.72	− 1.1
Sweden	+ 22.8	Oct	+ 26.2	Q3	+ 7.3	+ 6.6	83.8	82.7	6.70	7.32	13.0	8.99	6.43	+ 0.5
Switzerland	+ 7.9	Oct	+ 45.9	Q2	+11.7	+11.2	114.9	112.1	1.14	1.26	2.22	1.53	1.09	− 1.6
United States	−634.0	Oct	−571.9	Q2	− 5.5	− 5.6	89.8	95.9	–	–	1.94	1.34	0.96	− 4.4
Euro area	+100.1	Sep	+ 55.1	Sep	+ 0.5	+ 0.5	93.9	92.0	0.75	0.82	1.45	–	0.72	− 2.9
MORE COUNTRIES	Data for the countries below are not provided in printed editions of *The Economist*													
Finland	+ 13.7	Oct	+ 7.7	Oct	na	na	82.4§	81.7	0.75	0.82	1.46	–	0.72	+ 2.3
Greece	− 30.1	Sep	− 10.3	Sep	na	na	59.8§	59.5	0.75	0.82	1.46	–	0.72	− 5.3
Iceland	− 0.5	Oct	− 0.6	Q3	na	na	96.6**	93.2	62.4	72.6	121	83.7	59.9	+ 0.1
Ireland	+ 42.2	Sep	− 1.7	Q2	na	na	95.5§	94.7	0.75	0.82	1.46	–	0.72	+ 0.2
Luxembourg	− 4.3	Sep	+ 2.1	Q2	na	na	103.6§	102.9	0.75	0.82	1.46	–	0.72	− 0.4
New Zealand	− 2.6	Oct	− 3.9	Q2	na	na	108.4	102.1	1.42	1.54	2.76	1.90	1.36	+ 2.9
Norway	+ 33.6	Nov	+ 31.9	Sep	na	na	98.9	97.1	6.19	6.72	12.0	8.31	5.95	+ 8.2
Portugal	− 17.4	Sep	− 11.6	Sep	na	na	93.6**	93.3	0.75	0.82	1.46	–	0.72	− 2.9

*Merchandise. Australia, Britain, France, Canada, Japan and United States imports fob, exports fob. All others cif/fob. †Bank of England except §IMF, October average. ‡OECD forecast. **IMF, August average.

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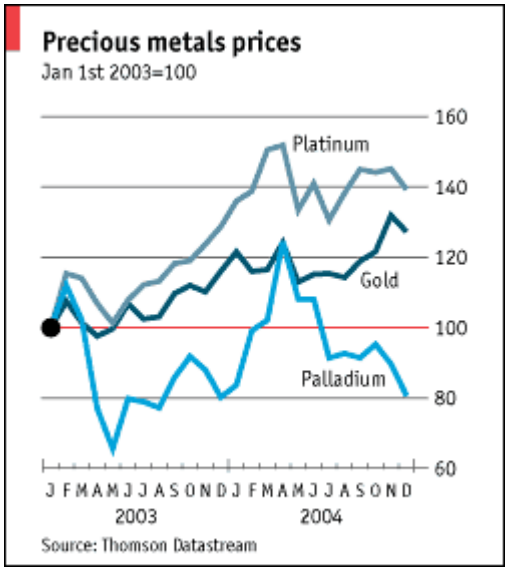
Precious metals prices

Dec 16th 2004
From The Economist print edition

Gold hit a 16-year high in 2004, thanks partly to the falling dollar. Platinum prices peaked in April at a 24-year high and then stalled as supplies increased. Palladium is 83% below its peak in 2001.



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Overview

Dec 16th 2004
From The Economist print edition

Consumer-price inflation in **China** slowed to 2.8% in the year to November from 4.3% in the year to October.

In the year to the third quarter, economic growth slowed to 6.4% in **Russia** and to 4.8% in **Poland**.

India's industrial-production growth jumped to 10.1% in the year to October, up from 8.8% in the year to September.

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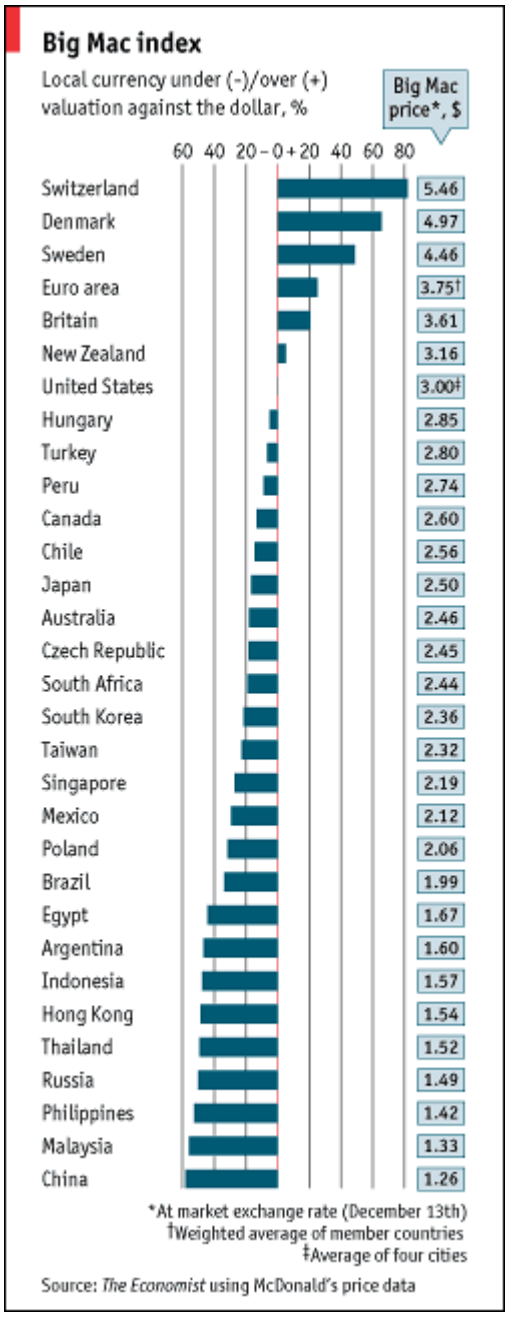
Big Mac index

Dec 16th 2004
From The Economist print edition

The Economist's Big Mac index is based on the theory of purchasing-power parity (PPP), the idea that exchange rates should move to equalise the prices of a basket of goods and services across different countries. Our basket is the Big Mac. For example, the cheapest burger in the chart is in China, at $1.26, compared with an average American price of $3. This implies that the yuan is 58% undervalued relative to its Big Mac dollar-PPP. On the same basis, the euro is 25% overvalued, the yen 17% undervalued.



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Economy

Dec 16th 2004
From The Economist print edition

	% change on year ago						Latest 12 months, $bn				Foreign reserves* $bn, latest	
	GDP		Industrial production		Consumer prices		Trade balance		Current account			
China	+ 9.1	Q3	+14.8	Nov	+ 2.8	Nov	+26.6	Nov	+45.9	2003	514.5	Sep
Hong Kong	+ 7.2	Q3	+ 1.1	Q2	+ 0.2	Oct	−13.4	Oct	+13.6	Q2	121.5	Nov
India	+ 7.4	Q2	+10.1	Oct	+ 4.6	Oct	−21.3	Nov	+11.0	Q2	120.2	Nov
Indonesia	+ 5.0	Q3	− 2.3	Aug	+ 6.2	Nov	+25.6	Oct	+ 3.9	Q2	34.1	Oct
Malaysia	+ 6.8	Q3	+ 6.9	Oct	+ 2.1	Oct	+21.4	Oct	+13.6	Q2	58.6	Oct
Philippines	+ 6.3	Q3	+ 7.2	Sep	+ 7.6	Nov	− 1.2	Sep	+ 4.5	Jun	12.6	Nov
Singapore	+ 7.5	Q3	+ 2.4	Oct	+ 1.9	Oct	+15.6	Oct	+29.0	Q3	110.1	Nov
South Korea	+ 4.6	Q3	+ 5.7	Oct	+ 3.3	Nov	+29.4	Nov	+27.5	Oct	178.3	Oct
Taiwan	+ 5.3	Q3	+ 2.9	Oct	+ 1.5	Nov	+ 8.1	Nov	+24.8	Q3	239.1	Nov
Thailand	+ 6.0	Q3	+ 5.5	Oct	+ 3.0	Nov	+ 1.6	Oct	+ 7.2	Oct	45.1	Oct
Argentina	+ 7.0	Q2	+ 5.2	Oct	+ 5.4	Nov	+12.5	Oct	+ 4.6	Q2	18.9	Nov
Brazil	+ 6.1	Q3	+ 2.7	Oct	+ 7.2	Nov	+33.0	Nov	+10.8	Oct	49.4	Oct
Chile	+ 6.8	Q3	+ 5.2	Oct	+ 2.5	Nov	+ 8.2	Nov	+ 2.0	Q3	16.0	Nov
Colombia	+ 2.4	Q3	+ 2.4	Sep	+ 5.8	Nov	+ 0.8	Sep	− 1.6	Q2	12.8	Nov
Mexico	+ 4.4	Q3	+ 1.8	Oct	+ 5.4	Nov	− 5.9	Oct	− 5.5	Q3	60.9	Oct
Peru	+ 4.5	Sep	+ 4.0	Sep	+ 4.1	Nov	+ 2.4	Oct	− 0.3	Q3	11.5	Nov
Venezuela	+15.8	Q3	+19.7	Aug	+19.5	Nov	+21.5	Q3	+14.4	Q3	16.4	Sep
Egypt	+ 4.3	2004†	+ 2.3	2003†	+11.9	Sep	− 8.1	Q3	+ 4.1	Q3	13.5	Aug
Israel	+ 3.4	Q3	+ 2.5	Sep	+ 0.8	Oct	− 6.2	Nov	+ 0.5	Q3	27.2	Nov
South Africa	+ 3.8	Q3	+ 5.3	Oct	+ 2.4	Oct	− 2.1	Oct	− 4.7	Q3	12.6	Nov
Turkey	+ 4.5	Q3	+ 1.5	Oct	+ 9.8	Nov	−32.5	Oct	−14.2	Oct	35.9	Oct
Czech Republic	+ 3.6	Q3	+ 8.1	Oct	+ 2.9	Nov	− 1.8	Oct	− 6.4	Q3	28.2	Nov
Hungary	+ 3.7	Q3	+ 6.7	Sep	+ 5.8	Nov	− 3.0	Q2	− 8.4	Q2	14.5	Oct
Poland	+ 4.8	Q3	+ 3.3	Oct	+ 4.5	Nov	− 5.1	Sep	− 3.4	Sep	34.1	Oct
Russia	+ 6.4	Q3	+ 3.5	Oct	+11.7	Nov	+81.2	Oct	+44.6	Q3	113.7	Nov
MORE COUNTRIES	Data for the countries below are not provided in printed editions of *The Economist*											
Estonia	+ 6.2	Q3	+ 6.3	Oct	+ 4.7	Nov	− 2.5	Sep	− 1.5	Q2	1.5	Oct
Latvia	+ 9.1	Q3	− 0.8	Oct	+ 7.2	Nov	− 2.6	Oct	− 1.6	Oct	1.8	Oct
Lithuania	+ 5.8	Q3	na		+ 3.0	Nov	− 3.1	Oct	− 1.8	Q2	3.4	Oct
Slovakia	+ 5.3	Q3	+ 0.2	Oct	+ 6.3	Nov	− 1.0	Oct	− 1.0	Aug	13.0	Oct
Slovenia	+ 4.9	Q3	− 3.0	Oct	+ 3.6	Nov	− 1.0	Oct	− 0.8	Oct	8.0	Sep
Pakistan	+ 6.4	2004†	+18.6	Jul	+ 9.3	Nov	− 5.3	Nov	+ 0.8	Q3	10.5	Oct
Saudi Arabia	+ 7.2	2003	na		nil	Sep	+59.1	2003	+28.0	2003	27.1	Oct

*Excluding gold, except Singapore; IMF definition. †Year ending June.

Sources: National statistics offices, central banks and stock exchanges; Thomson Datastream; Economist Intelligence Unit; Reuters; J.P. Morgan Chase; Hong Kong Monetary Authority; Centre for Monitoring Indian Economy; FIEL; EFG-Hermes; Bank Leumi Le-Israel; Standard Bank Group; Akbank; Deutsche Bank.

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Financial markets

Dec 16th 2004
From The Economist print edition

	Currency units			Interest rates	Stockmarkets	% change on		
	per $		per £	short-term	Dec 15th		Dec 31st 2003	
	Dec 15th	year ago	Dec 15th	% a year		one week	in local currency	in $ terms
China	8.28	8.28	16.1	3.00	1,378.5	– 1.0	– 12.1	– 12.1
Hong Kong	7.78	7.76	15.1	0.47	14,078.5	+0.4	+ 11.9	+ 11.8
India	43.9	45.5	85.4	5.27	6,402.3	+2.2	+ 9.6	+ 14.0
Indonesia	9,253	8,493	17,846	7.54	939.2	– 4.1	+ 35.7	+ 23.6
Malaysia	3.80	3.80	7.39	2.83	904.8	+0.3	+ 14.0	+ 14.0
Philippines	56.3	55.4	109.0	7.94	1,794.9	– 0.3	+ 24.4	+ 22.7
Singapore	1.64	1.71	3.21	1.38	2,048.8	+1.4	+ 16.1	+ 20.4
South Korea	1,062	1,189	2,058	3.40	868.8	– 0.3	+ 7.2	+ 20.3
Taiwan	32.4	34.0	62.5	1.25	6,002.6	+1.9	+ 1.9	+ 6.7
Thailand	39.3	39.7	76.7	2.25	657.2	+1.8	– 14.9	– 14.1
Argentina	2.98	2.97	5.79	5.25	1,253.5	+4.1	+ 16.9	+ 15.2
Brazil	2.74	2.93	5.37	17.24	25,575.8	+2.4	+ 15.0	+ 21.2
Chile	576	603	1,134	2.52	8,942.5	– 0.3	+ 21.9	+ 25.3
Colombia	2,367	2,797	4,777	7.76	4,139.7	+1.5	+ 77.4	+108.3
Mexico	11.2	11.3	21.9	8.59	12,493.9	+3.1	+ 42.1	+ 42.4
Peru	3.26	3.47	6.45	2.90	3,583.2	+1.1	+ 47.2	+ 56.3
Venezuela	2,671§	2,755§	4,995	12.93	29,523.8	+0.1	+ 33.0	+ 42.3
Egypt	6.22	6.17	12.11	9.97	23,817.6	+4.1	+104.7	+102.9
Israel	4.33	4.38	8.44	1.00	622.8	+1.3	+ 16.6	+ 18.4
South Africa	5.73	6.52	11.4	7.60	12,265.3	+0.5	+ 18.1	+ 37.6
Turkey	1,403,500	1,430,766	2,757,564	23.20	23,289.7	+2.9	+ 25.0	+ 25.2
Czech Republic	22.8	26.1	45.2	2.56	1,019.5	+0.7	+ 54.7	+ 73.9
Hungary	183	213	360	9.51	14,525.2	+0.7	+ 54.9	+ 75.7
Poland	3.10	3.75	6.14	6.69	25,839.4	– 0.3	+ 24.1	+ 49.9
Russia	27.9	29.3	54.4	13.00	572.3‡	– 0.3	– 3.9	+ 0.9
EMF (MSCI)*	1.00	1.00	1.94	na	519.1	+1.6	+ 17.2	+ 17.2
EMBI+†	1.00	1.00	1.94	na	328.6	+0.8	+ 11.5	+ 11.5

*Emerging Mkts Free. †J.P. Morgan Chase's Emerging Mkts Bond Index Plus. ‡In $ terms. §Floating exchange rate.

Sources: National statistics offices, central banks and stock exchanges; Thomson Datastream; Economist Intelligence Unit; Reuters; J.P. Morgan Chase; Hong Kong Monetary Authority; Centre for Monitoring Indian Economy; FIEL; EFG-Hermes; Bank Leumi Le-Israel; Standard Bank Group; Akbank; Deutsche Bank

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